96-63

RESTRUCTURING OF THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

(96–63)

HEARING

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES

OF THE

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 3258

TO RESTRUCTURE THE FINANCING OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

APRIL 26, 1980, AT DULUTH, MINN.

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H.R. 3258

A BILL To restructure the financing of the activities of the Saint Lawrence Seaway Development Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Saint Lawrence Seaway Development Corporation Refinancing Act of 1979".

SEC. 2. (a) Section 5 of the Act of May 13, 1954 (33 U.S.C. 985), is amended to read as follows:

"FINANCING

"SEC. 5. (a) Except as provided in subsection (b), any revenue received by the Corporation may be used to finance any activity of the Corporation.

"(b)(1) Except as provided in paragraph (2), the Corporation shall pay into the general fund of the Treasury not later than one hundred and eighty days after the end of each calendar year any revenue received by the Corporation under section 12(b)(5) during such calendar year any revenue which exceeds the sum of—

"(A) any cost of operating or maintaining the works under the administration of the Corporation, including the cost of administration and development during such calendar year;

"(B) the amount of depreciation on such works during such calendar year; and

"(C) any payments in lieu of taxes authorized in section 7 and made during such calendar year.

"(2) In any calendar year in which the revenues received by the Corporation do not exceed the sum of the items specified in paragraph (1)(A) through paragraph (1)(C), the Corporation shall not be required to pay into the general fund of the Treasury any revenue received under section 12(b)(5).".

(b) Section 12(b)(5) of the Act of May 13, 1954 (33 U.S.C. 988(b)(5)), is amended to read as follows:

"(5) That, with regard to each calendar year, the rates shall provide revenues sufficient to provide the Corporation with a rate of return on any investment of the United States in the Saint Lawrence Seaway which is equal to the rate of return receivable by the Saint Lawrence Seaway Authority of Canada on any investment of the Government of Canada in the Saint Lawrence Seaway.".

SEC. 3. Any balance of any obligation of the Saint Lawrence Seaway Development Corporation which was incurred under section 5(a) of the Act of May 13, 1954 (33 U.S.C. 985(a)), before the effective date of this Act, and which is outstanding on such effective date, is hereby terminated.

SEC. 4. This Act shall take effect sixty days after the date of the enactment of this Act.

RESTRUCTURING OF THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

SATURDAY, APRIL 26, 1980

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WATER RESOURCES OF THE
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Duluth, Minn.

The subcommittee met at 9:30 a.m. at the Federal Building, Duluth, Minn., Hon. Ray Roberts (chairman of the subcommittee) presiding.

Present: Representative Ray Roberts, Texas; Representative James Oberstar, Minnesota; majority counsel Errol Tyler; and minority counsel John Doyle.

Mr. ROBERTS. The subcommittee will be in order.

This morning the Water Resources Subcommittee is meeting here in Duluth to receive testimony on H.R. 3258, a bill to provide for the restructing of the financing of the St. Lawrence Seaway.

The St. Lawrence Seaway provides a viable water transportation link between the Great Lakes and other nations. It's of critical importance in the economy of a very large portion of our Nation. The people of Duluth especially can attest to the benefits of this important and farsighted project. The subcommittee is more than pleased to meet here in Duluth on behalf of our distinguished and respected colleague and member of the subcommittee, Congressman Jim Oberstar.

Congressman Oberstar has represented this area in Congress effectively and intelligently and is a great asset to both our committee and to the entire Congress. His predecessor, John Blatnik, is the man primarily responsible for me in this position. As a matter of fact John Blatnik gave up the committee, Subcommittee on Rivers and Harbors, so I could take it, and not many folks will do that for you in Congress.

Before we hear our first witness, I want to yield to my distinguished colleague for any remarks that he wishes to make.

Mr. OBERSTAR. Thank you very much, Mr. Chairman. Most of all thank you for taking the time to be with us here in Duluth. Your presence here and the presence of this subcommittee is evidence that the House of Representatives and the House Public Works Committee in particular are concerned about the needs of the Great Lakes and about the future of the St. Lawrence Seaway and about the commerce and the industrial opportunities and agricultural development in the Midwest.

In this heartland of America we have 45 percent of the Nation's agriculture, 45 percent of the Nation's industry. And we have the lowest cost transportation means in the whole United States in the presence of the St. Lawrence Seaway and the Great Lakes interconnecting channels. We want to take the fullest advantage of that great waterway net-

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work to make it the most effective means of commercial development and industrial growth.

For many years, certainly until 1970, the Great Lakes had been the stepchild of the nation's maritime policies. The Merchant Marine Act of 1970 changed that. It opened a new era of positive action for the Great Lakes by including in our Nation's maritime policies the Great Lakes as the Nation's fourth seacoast, opening the way to eligibility for a wide range of benefits.

We have now through the Maritime Administration, the Federal Maritime Commission, the availability of operating and differential subsidies, construction differential subsidies, other assistance from the Maritime Administration on shipping policies, commercial development. We have had a number of shipper and user conferences. All of these steps that have flowed from that Merchant Marine Act of 1970 have opened the way to a new era for the Great Lakes.

There is still one impediment to full effective utilization of the Great Lakes, and that is the winter. We can't do very much about the ice. But we can do something about a negative policy affecting the Great Lakes, and that is repayment of the seaway debt.

No other federally constructed waterway is required to repay the capital costs, only the St. Lawrence Seaway. Even the most stringent user-fee policy which was adopted in the last Congress, the 95th Congress, will not require repayment to such a degree as is imposed on the St. Lawrence Seaway. The purpose of these hearings is to respond to legislation that I have introduced to restructure the seaway debt, convert it to capital as the Canadians have done, and to insist upon a rate of return on that equity comparable to that which Canada exercises on its 70 percent of the seaway investment.

Even with the fuel excise tax, which begins in this year at 4 cents a gallon and rises in 1985 to 10 cents a gallon, we will have a user fee that represents only 5 percent of the freight rate for shipment of grain from the upper Midwest to the gulf. At the current rate of repayment of the debt on the St. Lawrence Seaway, debt service will rise from $2½ million in this year to $5 million in 1982. We'll have to restructure the tolls and cause an increase of 40 percent on seaway tolls in the United States. That is just unfair and will make the lakes less competitive and will make American farmers less competitive in the world market.

So I hope that as a result of these hearings, that we can move the legislative process in the direction of the legislation I have introduced, and further enhance particularly in this time of energy constrictions this energy efficient means of moving goods.

Mr. Chairman, that is as much of an opening statement as I want to make. And again to thank you for coming up here from warm—keeping you away from warm, sunny Texas, but at least giving you a look at all the water that we have here in northern Minnesota, which is in such short supply in your country.

Mr. ROBERTS. It surely is.

I would like now to present counsel, Mr. Errol Tyler, counsel for the subcommittee majority; and John Doyle, counsel for the minority.

Mr. Oberstar, will you call your first witness.

Mr. OBERSTAR. Opening statement today will be presented by the mayor of Duluth, Mayor John Fedo.

And, Mayor, welcome, glad to have you here this morning.

Mr. FEDO. Thank you.

Mr. OBERSTAR. I would say to all witnesses that it is the policy of the subcommittee to encourage witnesses to restrain their statements to a 10-minute time frame to allow adequate time for questions by the committee and counsel.

Mr. ROBERTS. Mayor Fedo, we're delighted to have you, sir.

TESTIMONY OF HON. JOHN FEDO, MAYOR OF DULUTH, MINN.

Mr. FEDO. Mr. Chairman, Congressman Oberstar, I appreciate the opportunity to come before you this morning and I think give testimony on what for us here in Duluth and throughout the Great Lakes is an important piece of legislation.

We are at present constantly looking to enhance our position as a world port. And the fact that we are at a disadvantage with the types of costs that are entailed in shipping through the Great Lakes versus shipping throughout our other waterways puts us one step back. We can't afford this in today's economy.

Since 1959 users of the seaway have paid all operating and maintenance costs and have repaid $22 million of the original $133 million capital construction costs of the seaway. And it's interesting, because there is no lockage tolls charged anyplace else in the U.S. inland waterway system.

We need this particular legislation, at least from my point of view as mayor of the city of Duluth, to make us a little more competitive, to not maybe give us an edge but to bring us more in conformance with what's going on in the rest of the country. We depend on our world port.

I think that was made quite obvious last year during the difficulties that we experienced during the strike. I think it's not only that we here in this area depend on it, the farmers in the Midwest depend on it, but the whole world depends on this area. The fact of the matter is, this is truly a world port. This is—the Great Lakes truly ships and serves the whole world.

We feel that this particular bill can have a tremendous impact on bringing into line what we feel we can offer the rest of the world, and give us a, more or less, a better shot at pulling ourselves up by our bootstraps here in this area, serving a great Midwest, a booming, thriving, farming industry, what is going to become even a larger industry in the sunflower seed area.

We have just established what is, I think, going to be a potential boom to the city of Duluth in a free trade zone. We need the help. We feel that we are coming into our own after a few setbacks. In this particular piece of legislation is a tremendous help in just more or less adding to the equalization of our competitors. So we would appreciate any kind of help in getting this bill passed.

Mr. ROBERTS. Thank you. I'm very much impressed by your port, being a former Navy captain. Why, we got in yesterday and got on the Corps of Engineers' boat and went all around the harbor. And frankly I was amazed. I thought you would have a couple of piers here, and it's a magnificent operation.

Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Chairman.

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Mayor, the benefit to the city of Duluth from the port has been estimated in the neighborhood of $235, $236 million a year. Do you have figures on the job impact of the presence of that port?

Mr. FEDO. The presence of the port, I think you know, goes far beyond any kind of impact figures that you can establish, because you think of the port as a separate entity and yet it's a very integral part of everything we do in the city of Duluth. Our abilities to attract any kind of industry is directly related to the port.

The fact that the port serves not only as a potential for attracting new industry, but it also serves a great potential in other areas, recreation, I think you cannot really establish any given figures as to what the port of Duluth means to the city of Duluth. And you go far beyond that as far as what it means to the city of Superior, the city of Hermantown, all northeastern Minnesota. We think of ourselves more as a regional port rather than just the port of Duluth.

Mr. ROBERTS. Counsel, any questions?

Mr. TYLER. No questions, Mr. Chairman.

Mr. ROBERTS. Mr. Fedo, thank you very much.

Mr. FEDO. Thank you very much for the opportunity.

Mr. ROBERTS. I appreciate very much having you here.

Mr. FEDO. Thank you, sir.

Mr. ROBERTS. We're going to proceed without breaking for lunch, because we have to leave here at 2 to catch a plane back to Washington. We will proceed as quickly as we can.

Would you call the next witness, please.

Mr. OBERSTAR. Senator Jim Ulland.

I didn't see him come in. Is there someone who has a statement for him? If not, his statement will be included in the record in full.

[Statement referred to follows:]

STATEMENT OF STATE SENATOR JAMES ULLAND, CHAIRMAN, MINNESOTA GREAT LAKES COMMISSION

Mr. Chairman and Members of the Subcommittee, I am Minnesota State Senator James Ulland, Chairman of the Minnesota Great Lakes Commission. The Minnesota Great Lakes Commission serves as one of the State delegations in the eight-State Great Lakes Commission and the Great Lakes Basin Compact. The Minnesota Great Lakes Commission has five members: two members of the State House of Representatives appointed by the Speaker of the House, two members of the State Senate appointed by the Committee on Committees, and one member appointed by the Governor.

The Minnesota Great Lakes Commission has actively supported the overall development of the Great Lakes as the Fourth Seacoast. The Minnesota Great Lakes Commission reviews Federal, State and local planning reports and action plans developed for the Great Lakes area including environmental protection efforts such as shoreline erosion protection and increased shipping efforts such as the winter navigation season extension.

As Chairman, I would like to express the support of the Minnesota Great Lakes Commission for this measure being considered here today to restructure financing of the St. Lawrence Seaway Development Corporation. The Minnesota Great Lakes Commission has long emphasized the importance of enhancing the economic development and quality of life for the Great Lakes region. We are deeply concerned that the burden imposed by the Seaway debt and the subsequent accelerating toll structures will prove to be a severe detriment to the achievement of this goal.

The current attempt to relieve the financial construction debt of the St. Lawrence Seaway Development Corporation has been unjustly passed on to the Seaway user through accelerating toll structures. It has been estimated that by the time that the third expected toll increases becomes effective later this year, the Seaway toll will have increased 117 percent since a three year toll increase was

negotiated between the U.S. and Canada in 1978. The St. Lawrence Seaway Development Corporation's current debt balance of $113 million presents a burden to the Seaway user to repay this remaining debt which is excessive and unfair.

The current debt and accelerating toll structure, which ultimately is passed on to the Seaway user, effectively discourages one of the most energy efficient means of transporting cargo from the Midwest to other destinations. With the continuing rise in the cost of fuels and the impending energy shortages throughout the world, it is of critical importance to encourage the use of an energy saving transportation system such as the Great Lakes-St. Lawrence. Tolls imposed on the Seaway user in order to repay the St. Lawrence Seaway Corporation's construction debt will prove to be a barrier for shippers to move cargo through a Great Lakes port due to prohibitive costs.

The Great Lakes-St. Lawrence Seaway is not only an energy efficient trade route, it is also one of the most cost effective. No other means of moving goods out of the Midwest is less expensive to the consumer. Continually rising tolls, compounded with the rising cost of fuels, however, may effectively destroy this cost effective means of transporting cargo from the Midwest to national and international markets.

Although Seaway tolls affect all Seaway users, perhaps the group which suffers the most by the burden of the imposing Seaway debt is the Midwest farmer. The current Seaway debt has significantly affected costs of shipping agricultural products and may result in great economic losses to the agricultural community of the State and the region. The Midwest farmer is heavily dependent on an efficient, inexpensive method of transporting goods. Due to the rapidly rising costs of transporting goods via the Great Lakes—St. Lawrence Seaway route, the farmer is losing this economically efficient method of transportation.

As you are aware, the Midwest economy and Minnesota in particular is strongly based in agriculture. The shipment of grain and other export products through the Great Lakes is vital not only to the farmer, but also to the entire economy of the Midwest. Further, in order to improve the U.S. balance of payments situation through increased exports, it is important that the movement of grain and other goods through the Great Lakes—St. Lawrence Seaway be encouraged. H.R. 3258 would accomplish this.

For these reasons that I have briefly outlined above, it is imperative for H.R. 3258 to receive approval.

Mr. OBERSTAR. The next witness is Dave Helberg, who is the port director of Duluth, Mr. Chairman.

Mr. Helberg, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF DAVID HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH

The Seaway Port Authority of Duluth is a body politic and corporate, created under and existing by virtue of the laws of the State of Minnesota, specifically Sections 458.09 through 458.60, Minnesota Statutes. Among other things, the Port Authority is charged with the duty of promoting the general welfare of the port district, increasing the volume of commerce through the port, and promoting the safe and economical handling of such commerce.

In the discharge of the duty imposed by the statutes, the Port Authority urges enactment of H.R. 3258, entitled a Bill to Restructure the Financing of the St. Lawrence Seaway Development Corporation.

In this 22nd season of Seaway shipping, the imposition of tolls on ships and cargoes continues to serve as a deterrent to greater utilization of the system and, thereby, greater benefits to the United States and Canadian midlands for which it was constructed.

It is not satisfactory to say tolls have already been "accepted" for these 22 seasons; they have been levied and they have been paid, but they are viewed as repressive by some, resented by most, and they fly in the face of fairness when compared with the Nation's other waterway systems.

We fully recognize that passage of H.R. 3258 would not eliminate tolls, but we believe that its enactment would at least encourage some measure of stability to the level of tolls for future years and would (in the vernacular) take a large monkey off the Seaway's back.

Stability in the level of tolls is extremely important at this time, particularly in view of the jolting increases of recent years and the expiration of the current United States-Canadian agreement on tolls after 1981.

At the heart of this proposed legislation, as we see it, is a matter of fairness, a question of equity.

In 1970, Congress—by the amendment of Section 809 of the Merchant Marine Act of 1936—designated the Great Lakes as the Fourth Seacoast of our nation and as an essential and necessary avenue over which our foreign trade and commerce flows. We urge that the intent of Congress was that this North Coast, along with the Atlantic, Gulf and Pacific Coasts, should share equally in the movement of international commerce and profit therefrom.

Despite such designation, the United States agreed less than a decade later to join with Canada in sharp increases in tolls, beginning in 1978 and climbing annually to the present level (see Exhibit A attached).

As has been pointed out time and again through the years by Seaway proponents, no other coastal range is burdened by tolls on its commerce. Moreover, repayment of construction costs has not been required of any other U.S. waterway.

Scores of examples may be cited involving past and present waterway projects in which construction paybacks have not been or are not being required.

As only random illustrations, we call attention to the $1.2 billion Arkansas River Waterway of a decade ago (including $717 million for the Arkansas State portion alone); the Tennessee-Tombigbee Waterway presently under construction and originally authorized at $1.5 billion; the $208 million Columbia River Project, which had included $73.4 million in construction expenditures through Fiscal Year 1978, and the $1.2 billion Red River Valley Waterway only recently underway. (Regarding the latter, we note that $146.8 million has been appropriated for construction of just one of the locks—compare that, if you will, with the remaining $111 million of the U.S. Seaway construction debt.)

We do not question the merit or validity of these other projects. We merely wish to remind the committee that—with the exception of the St. Lawrence Seaway—our Government has consistently followed a "forever free" principle in building the nation's vast waterways system.

Selective abandonment (in the Seaway's case) of the above principle is not necessarily the issue immediately at hand, but nonetheless we take this opportunity to call the matter to the committee's attention. We cite, for the record, the following:

The Continental Congress, on July 13, 1787, enacted the Northwest Ordinance, granting the inhabitants of lands west of the Alleghenies and northwest of the Ohio River the same rights and privileges enjoyed by the citizens of the original Thirteen States. Article IV reads, "The navigable waters leading into the Mississippi and St. Lawrence, and the carrying places between the same, shall be common highways, and forever free, as well to the inhabitants of the said territory as to the citizens of the United States, and those of any other states that may be admitted into the confederacy, without any tax, impost or duty therefor."

The U.S. Constitution, signed March 4, 1789, incorporated under Article I, Section 9, the following: "No preference shall be given by any regulation of Congress of revenue to the ports of one state over those of another, nor shall vessels bound to or from one state be obliged to enter, clear, or pay duties in another."

On May 8, 1871, Great Britain, acting on behalf of Canada (as well as in her own interests), and the United States signed the Treaty of Washington. In that document, Great Britain, speaking for Canada, guaranteed to the United States that navigation of the St. Lawrence River was to "forever remain free and open for the purpose of commerce to the citizens of the United States."

In 1909, the United States and Canada signed the Boundary Waters Treaty which guaranteed throughout its life that "the navigation of all navigable boundary waters shall forever continue free and open for the purposes of commerce to the inhabitants and to the ships, vessels and boats of both countries equally."

To the best of our knowledge, none of the above has ever been rescinded, renounced or altered in any way.

It might also be noted here that "user fees" of another sort will go into effect in October 1980 with the imposition of fuel taxes on tugs and towboats utilizing the Mississippi River. But even these charges are intended to help defray operating and maintenance costs and are not designed to pay for construction projects.

Meanwhile, rehabilitation and new constructions costs for the Lock and Dam 26 Project on the Mississippi at Alton, Ill., have been estimated at $540 million (in October 1979 dollars) and the planned (but not yet authorized) additional

lock in the same complex has been estimated at from $120 million to $170 million depending on the lock size. Users will not be required to pay for construction costs.

Again, we do not question the validity of the project. We reiterate, however, that users should not be compelled to continue to pay for the Seaway's initial construction.

The present situation, tolls for the Fourth Seacoast and none for other constal ranges, is manifestly discriminatory. Elimination of the necessity for the Seaway Development Corporation to repay its construction costs should, at the very least, stabilize our Government's position with regard to the level of tolls, if tolls must indeed continue to be levied.

Although H.R. 3258 may fall short of the perfect solution to the basic problem of discrimination in favor of other seacoasts, it would represent a major and significant step toward achieving fairness for the Great Lakes.

EXHIBIT A

ST. LAWRENCE SEAWAY, JOINT TARIFF OF TOLLS, 1978–81

	Per metric ton (1,000 kg or 2,204.62 lb.)		
	1978	1979	1980–81
Cargo tolls/commercial vessel charges:			
Combined sections (full transit of Montreal-Lake Ontario (Mo-Lo) and Welland Canal sections):			
Bulk	$0.70	$0.86	$0.99
Containers	.99	.99	.99
Government-aid cargoes	.61	.65	.72
Grain	.61	.65	.72
General	1.55	1.88	2.15
Vessel charge, per gross registered ton	.14	.14	.14
Montreal-Lake Ontario section (full transit):			
Bulk	.50	.62	.68
Containers	.68	.68	.68
Government-aid cargoes	.41	.41	.41
Grain	.41	.41	.41
General	1.27	1.49	1.65
Vessel charge, per gross registered ton	.07	.07	.07
Welland Canal section (full transit):			
Bulk	.20	.24	.31
Containers	.31	.31	.31
Government-aid cargoes	.20	.24	.31
Grain	.20	.24	.31
General	.28	.39	.50
Vessel charge, per gross registered ton	.07	.07	.07

	1978–81	
	Mo-Lo	Welland
Other charges:		
1. Partial transit by commercial vessel (1978–81):		
Mo-Lo section—15 percent per lock of applicable toll		
Welland Canal section—13 percent per lock of applicable toll		
2. Per paid-fare passenger	$5.25	$6
3. Pleasure craft (minimum charge)	[1] 4.00	[1] 4
4. Other vessels (minimum charge)	[1] 8.00	[1] 8

[1] Per lock.

Source: St. Lawrence Seaway Development Corporation, March 1978.

Mr. OBERSTAR. Please proceed.

TESTIMONY OF DAVIS HELBERG, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY, DULUTH, MINN.

Mr. HELBERG. Good morning, Mr. Chairman, Congressman Oberstar, committee staff.

I have Senator Ulland's statement. Senator James Ulland is chairman of the Minnesota delegation to the Great Lakes Commission.

I probably would not do him or his statement justice if I attempted to summarize in any kind of detailed summary, with the exception of

saying that the statement is supportive of the passage of H.R. 3258. He points out in his statement that the Minnesota Great Lakes Commission is deeply concerned about the situation regarding St. Lawrence Seaway tolls, and makes the comment that the Great Lakes-St. Lawrence Seaway system is not only an energy efficient trade route but also is one of the most cost effective. He points out that any continuation of an increase in tolls compounded by rising fuel costs will have a harmful effect on the cost effectiveness of transporting cargo from the Midwest to international markets.

He also pays particular attention to the Midwestern farmer and how dependent he is on the seaway. He points out that the Midwest economy and the State of Minnesota and our world port of Duluth is strongly based on agriculture. And it is a strong endorsement of the bill.

Mr. ROBERTS. We appreciate his statement.

Mr. HELBERG. Thank you.

Mr. ROBERTS. Thank you for yesterday, for showing us around the port.

Mr. HELBERG. Thank you. We certainly appreciate the opportunity to appear before you today. We sincerely thank the subcommittee for holding the hearing in our world port on this important piece of legislation. I might take the opportunity to say that we are also proud candidly that the author of this important bill is our own Congressman, Mr. Oberstar.

If I may, Mr. Chairman, I also have been requested to note for the record, that we have received a joint statement from the North Dakota Wheat Commission and the North Dakota Public Service Commission.

Mr. ROBERTS. Without objection it will be made part of the record.

Mr. HELBERG. Thank you, sir.

[Statement referred to follows:]

COMMENTS ON BEHALF OF NORTH DAKOTA WHEAT COMMISSION AND NORTH DAKOTA PUBLIC SERVICE COMMISSION, BY JOHN I. FINSNESS AND MIKE MILLER, ATTORNEYS FOR WHEAT COMMISSION AND PUBLIC SERVICE COMMISSION

The North Dakota Wheat Commission and the North Dakota Public Service Commission appreciate the opportunity to testify before this subcommittee in regard to H.R. 3258, The Restructuring of the St. Lawrence Seaway Development Corporation.

The Wheat Commission is the state agency charged with the responsibility of promoting greater market development for North Dakota wheat. This Commission is financed by the 40,000 wheat producers in North Dakota through a voluntary tax on each bushel of wheat sold.

The North Dakota Public Service Commission was created by the Constitution of North Dakota and is charged with regulating common and contract carriers operating within the state. The Public Service Commission is also charged with the responsibility of representing the state of North Dakota in various transportation matters before Congress, the Interstate Commerce Commission, and all other federal entities.

The ports of Duluth/Superior, and thus of course the St. Lawrence Seaway, are vitally important to North Dakota. We are very concerned about any action taken by the federal government or anyone else for that matter regarding the entire Great Lakes' system.

This state has for a long time been bothered by the unreasonable discrimination fostered by federal action in regard to the St. Lawrence Seaway.

There seems to be no justification for treating traffic on the Great Lakes any differently than traffic on any other waterway system in the United States.

North Dakota is not only concerned that the St. Lawrence Seaway is the only waterway in this country in which tolls are charged. We are also concerned about the rapidly escalating level of those tolls.

For example, an average grain vessel holds approximately 16,000 metric tons of grain. In 1977 the toll for the movement of this grain vessel through the St. Lawrence Seaway was approximately $7,000. In 1978 the charge was increased to $9,700. In 1979 the total charges were approximately $10,400. In 1980 the toll charges are approximately $11,520. This means that in the last four years the charges have increased approximately 60 percent.

Farming is a very precious occupation these days. North Dakota farmers are experiencing increasingly tough times due to soaring interest rates and unbelievable increases in the costs of everything used or consumed by the farmers.

Accordingly, the North Dakota grain producers are very aware of every facet of the grain business. Since North Dakota is so dependent on the exporting of its grain crops, transportation is of utmost importance to our farmers.

The Duluth/Superior ports are North Dakota's primary export connection to the grain importing nations of the world.

Last year alone, North Dakota shipped over 250 million bushels of grain and oil seeds to Duluth/Superior. This was 55 percent of the total grain and oil seed movement out of the state of North Dakota.

We shipped almost 109 million bushels of hard red spring wheat (59 percent of our total shipment) to those ports, over 63 million bushels of sunflowers (80 percent of the total sunflower movement), and 61 million bushels of durum wheat (69 percent of the production).

Any action or situation which cuts down on the competitiveness of the ports of Duluth and Superior as compared to other ports located throughout the United States is extremely dangerous to North Dakota.

For the above reasons, the North Dakota Wheat Commission and the North Dakota Public Service Commission request that the Great Lakes and the St. Lawrence Seaway traffic be treated no differently than traffic on all of the other U.S. waterway systems.

Mr. HELBERG. Also, I offer the statement from the Chicago Regional Port District, Frank Martin, general manager.

Mr. ROBERTS. It will also be made a part of the record.

Mr. HELBERG. Thank you.

[The complete statement of Mr. Martin follows:]

STATEMENT OF FRANK G. MARTIN, JR., GENERAL MANAGER, CHICAGO REGIONAL PORT DISTRICT

The Chicago Regional Port District, a Municipal Corporation created by an Act of the Illinois Legislature in 1951 has been involved in the development of commercial and industrial harbor facilities within the confines of Lake Calumet Harbor. The Port District's facilities range over a broad spectrum of harbor units such as grain elevators, warehouses, transit sheds, wharves, liquid terminals, iron and steel, and various other bulk commodity facilities. Extensive operations are carried on via lake, ocean vessels and barges. The Lake Calumet complex is located at the junction point of "deep-and-shallow-water" and thus enjoys the myriad transportation advantages pertinent to such operations. Presently there is vested within Lake Calumet $150 million based on replacement costs.

The Port District has long recognized that the evolution of shipping, especially since the advent of the Seaway, has resulted in the requirement for establishing land and water access that is amenable to the handling and distribution of containers. As a result of this long programmed concept the Port District, aided by the State of Illinois from which source the Port District has been able to borrow $15 million, has acquired the 194-acre lakefront site located at the mouth of the Calumet River that was formerly owned by the Youngstown Sheet & Tube Company. This site offers unparalleled access to deep water vessels requiring no tugs or pilots and has a combined total of 3,000 feet of wharfage capable of handling six ships; 90 acres of the over-all site has been allocated for maritime operations. The acreage is now being graded and will be paved. Two separate 100,000-square-foot transit sheds are to be constructed by the licensed operators. The investment of these operators in these buildings, as well as their operating equipment, will range in excess of $5 million consequently it can be sensed that a substantial investment is being undertaken by the Port District and private organizations to create a broad range of facilities essential for the efficient handling of all types of cargo.

The Port District is a member of the Western Great Lakes Ports Association and International Association of Great Lakes Ports. Both organizations have advanced their concern which is the promotion of joint common interests to encourage the development and use of waterborne transportation to not only these ports but to all other ports, foreign and domestic. The membership of these groups consists of all major ports on the Great Lakes including those on the Canadian side in Lake Ontario.

The brunt of our Testimony is in connection with Bill HR 3238 entitled, "To Restructure the Financing of the Activities of the St. Lawrence Seaway Development Corporation." The Great Lakes-St. Lawrence Seaway System has been acknowledged by Congress as an essential element to the commerce and foreign trade of our nation and in 1970, by amendment of Section 809 of the Merchant Marine Act of 1936, was designated as the Fourth Seacoast of our country. It was our belief and obviously the intent of Congress that this Seacoast, in common with the other three Seacoasts of the United States, should share equally and to some extent prosper from the handling of international commerce by our United States Merchant Marine fleet and likewise by foreign flag services involved in this trade route. However, in spite of our Fourth Seacoast designation it develops that our Seaway route is the only Seacoast of our nation on which there is presently a penalty for vessels plying this route. Our experience has been that at present the assessment of Seaway tolls of such monetary dimension in some instances has deterred cargo from moving through this avenue of international commerce.

It has long been our joint concern that the St. Lawrence Seaway is the only Seacoast in the United States on which a toll is assessed. In contrast therewith other large waterway developments such as the Red River Waterway authorized by Congress in 1968 has hardly any equalized ratio benefits—yet in December of 1979 an approximate $150 million contract was awarded for its first lock which amount is but a portion of its estimated $1.2 billion cost. This Red River Waterway is but a 236-mile barge canal that will run from Shreveport, La. to the Mississippi River. It is interesting to note that very little criticism or protests have been voiced as to the economics of this waterway and yet every effort made by any of us to have the Seaway debt reduced or cancelled is met by an almost unbelievable amount of opposition from opponents of the Seaway.

Your Committee is unquestionably aware that the economic benefits to the Great Lakes states as well as those adjacent constitute one of our nation's greatest productive units and are in billions of dollars. We estimate that over one third of the nation's exports are within a 300-mile range from our Great Lakes-St. Lawrence Seaway ports. Although 1979 was an unusual year and there was a reduction in grain that moved through the Seaway records show that over 55 million tons did transit the Seaway which made it the third largest tonnage record.

Those of us that have our prime interest on the Great Lakes and in conjunction with the Seaway are likewise aware that the Tennessee-Tombigbee Waterway, which will undoubtedly result in an over-all cost of $2 billion and over four times the cost of the Seaway, will function without tolls. Likewise the Red River Waterway at $1.2 billion will involve a cost that is three times that of the Seaway yet both of these waterway projects will benefit only a small percentage of our population as contrasted with the millions of people benefitted in the Great Lakes industrial area. It should be noted that a recent Corps of Engineers Study stated that the cost benefit ratio of keeping the Seaway system open longer than now in vogue would be approximately 4-to-1.

The Port of Chicago was and continues to be one of the Seaway's strongest proponents. The City of Chicago, concentrated as it is in one of our nation's vast metropolises, is susceptible to the changes that are constantly being evolved in all modes of transportation. In checking the history of our activity we note that since 1959 the Seaway has had, on occasion, a season that was several weeks longer than when the route originated. We have likewise noted that since the 1959 opening that the capacity of vessels plying the Seaway has increased from 6000 tons to an average of 16,000 tons in 1979. Also, the maximum size vessels now utilizing the Seaway has increased from but 1 percent of the ships over 700 feet to an average of 19 percent at this writing. Obviously the size and capacity of these vessels is an indication that there is a potential for traffic via the Seaway that is far in excess of its present rated volume.

To the best of our knowledge there is no other waterway system in the United States that has returned to our Government any funds that the Government has

expended for the construction or improvements in waterways as contrasted with the fact that our St. Lawrence Seaway Development Corporation has returned to the Treasury over $60 million in construction and interest revenues. The Port of Chicago, together with sister ports in the Great Lakes system, is of the opinion that restructuring our Seaway Corporation's debt could not help but be an incentive to various U.S. flag operators who are now indifferent to serving the Lakes and will cause them to look with added interest to the trade area potentials adjacent to this route, and, in this respect that our Government could then take advantage of freight savings which would ensue by consigning military cargo as well as export-import cargo to and from overseas destinations. Any potential increase in steamship service for the Great Lakes route will be a benefit not only with respect to international traders but also responsive to the energy-saving commitments that our President and Congress have announced as our Government's policy.

Our analysis of H.R. 3258 is in line with similar thoughts of other ports in the system; that it would accomplish the strengthening of our Merchant Marine in the Lakes by offering additional services; that it would likewise improve the potentials of additional foreign flag lines servicing the trade without penalties. It would certainly add to the overall health and well-being of our nation's international commerce by the development of intermodal services that could be established without additional penalties to steamship lines; would result in aiding our nation's campaign to preserve energy; additional tonnage moving in and out of the Great Lakes/Seaway route, and, by restructuring of this debt would create thousands of additional jobs along the route and thus result in taking many of our citizens off our welfare rolls. Most of all it would permit our Seaway Corporation to operate, upgrade and maintain the Seaway locks under its jurisdiction rather than having to go to the Treasury with an estimated budget for its operation. Finally, it would place the St. Lawrence Seaway system on a par with other waterway projects such as those previously mentioned as well as those not indicated in this Brief by not having to assume the repayment of construction costs but to function instead on a self-sufficient basis of operating, maintaining and upgrading the system.

It is interesting to note and certainly your Committee is aware that since the opening of the Seaway in 1959 and long before that date, when small ocean vessels were plying in and out of Chicago through the early '30s, that there have been harmonious relationships between our Government and that of Canada with regard to the operation of the Seaway and that this harmonious concept has also been responsive to the needs of the American public. It is our earnest belief that the restructuring of the St. Lawrence Seaway debt is in the best interest of the shipping public and deserves the support of all interested parties in the Midwestern section of our country.

We join with the Western Great Lakes Ports Association and the International Association of Great Lakes Ports in being in accord with the provisions of this Bill because it is our firm belief that it will facilitate the operation and maintenance of this viable waterway and,, by the same token, give our Seaway Corporation added flexibility in conducting surveys, research and other matters that could lead to the improvement of this great international gateway to the world.

Mr. HELBERG. And if I may, Mr. Chairman, there is a one-page statement submitted by David L. Printy, commissioner of the Minnesota Department of Economic Development, which he asked that I offer for the record. May I do so?

Mr. ROBERTS. You surely may.

Mr. HELBERG. Thank you.

[Statement referred to follows:]

STATEMENT OF DAVID L. PRINTY, COMMISSIONER, MINNESOTA DEPARTMENT OF ECONOMIC DEVELOPMENT

As commissioner of the Minnesota Department of Economic Development, I would like to express my support for H.R. 3258 restructuring the financing of the St. Lawrence Seaway Development Corporation. Because this bill is an initial step to give inland Great Lakes seaports a more competitive position in both national and foreign commerce, it is of vital interest ot the entire State of Minne-

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sota. As the importance of international trade becomes more of a growing integral part of the state's and the nation's economic well being, marketing constraints only serve to hinder efficiency and productivity. It is free market impediments of this kind which are hurting the balance of payments and value of the U.S. dollar.

The noncompetitive practice imposed solely on the St. Lawrence Seaway Corporation of carrying both full operation and maintenance costs and debt retirement tolls has not only produced diseconomies regionally, but, in the long run, nationally by artificially increasing the nation's cost of doing business.

Across-the-board practices and policies can, at times, be quarreled with, but they are at least competitive. Regional discrimination, on the other hand, is an obvious artificial deterrent. This is why I am anxious not only to see H.R. 3258 pass into law, but also to have internationally standardized arrangements with Canada to put midwest northern hemisphere ports in a fair competitive position globally. This can best be accomplished at this time by reducing and eventually eliminating artificial transportation constraints on the nation's capacity to do business efficiently.

Mr. ROBERTS. Thank you.

Mr. HELBERG. Thank you.

Mr. OBERSTAR. Thank you for the statement from Mr. Printy. You may proceed now with your own testimony.

Mr. HELBERG. Regarding the Seaway Port Authority of Duluth, for which I serve as executive director, we, our board of commissioners and our administrative staff fully support and endorse passage of H.R. 3258 to restructure financing of the Seaway Development Corporation.

In this 22d season of seaway shipping, the imposition of tolls on ships and cargos continues to serve as a deterrent to greater utilization of the system, and thereby as a deterrent to greater benefits to the United States and Canadian midlands for which the seaway was constructed.

It's not satisfactory in our view to say tolls have been accepted for these twenty-two seasons. They have been levied and they have been paid, yes, but they are viewed as represive by some, resented by most, and they fly in the face of fairness when compared with the Nation's other waterway systems.

We fully recognize that passage of this bill would not eliminate tolls. But we believe that its enactment would at least encourage some measure of stability to the level of tolls for future years and would in the vernacular take a large monkey off the seaway's back.

Stability in the level of tolls is extremely important at this time, particularly in view of the jolting increases of recent years and the expiration of the current United States-Canadian agreement on tolls after 1981.

At the heart of this legislation, as we see it, is a matter of fairness, the question of equity.

In 1970 Congress amended the Merchant Marine Act of 1936, designating the Great Lakes as the fourth seacoast of the nation and as an essential and necessary avenue over which our foreign trade and commerce flows. We urge that the intent of Congress was that this north coast, along with the Atlantic, Gulf, and Pacific Coasts, should share equally in the movement of international commerce and profit.

Despite such designation, the United States agreed less than a decade later to join with Canada in sharp increases in tolls, beginning in 1978 and climbing annually to the present level. We have attached an exhibit which illustrates the level of tolls from, and their increases from 1978 to the current year.

We also would like to point out that from 1959 when the seaway opened through 1977, bulk cargo was assessed at 40 cents per short ton, general cargo at 90 cents per short ton. So when we refer to sharp increases, gentlemen, we suggest that they are indeed that.

As has been pointed out time and again through the years by seaway proponents, no other coastal range is burdened by tolls on its commerce. Moreover, repayment of construction costs has not been required of any other U.S. waterway.

Scores of examples may be cited involving past and present waterway projects on which construction paybacks have not been or are not being required.

We list some random illustrations, drawing attention for example to the $1.2 billion Arkansas River Waterway of about a decade ago; the Tennessee-Tombigbee Waterway presently under construction and originally authorized at $1.5 billion; the $208 million Columbia River project; and the $1 2 billion Red Rver Valley Waterway which only began recently. It's interesting to us to note that regarding the Red River Valley Waterway, $146.8 million has been appropriated for construction of just one of the locks. Compare that, if you will, with the remaining $111 million of U.S. seaway construction debt.

We do not question the merit or validity of these other projects. We merely wish to remind the committee that, with the exception of the St. Lawrence Seaway, our Government has consistently followed a forever-free principle in building the Nation's vast waterway system.

Selective abandonment in the seaway's case of the forever-free principle is not necessarily the issue immediately at hand. But nonetheless for the record we are taking the opportunity to call this matter to the committee's attention.

I will not go through these entirely but they are in the written statement, to point out for example that the Continental Congress in 1787 enacted the Northwest Ordinance, which provides among other things that. "The navigable waters leading into the Mississippi and St. Lawrence * * * shall be * * * forever free."

That was followed by the U.S. Constitution in 1789, incorporating the provision that,

> No preference shall be given by any regulation of Congress of revenue to the ports of one state over those of another, nor shall vessels bound to or from one state be obliged to enter, clear, or pay duties in another.

In 1871 Great Britain and the United States signed the Treaty of Washington. In that document Great Britain, speaking for Canada, guaranteed to the United States that navigation through the St. Lawrence River was again to "forever remain free and open for the purpose of commerce to the citizens of the United States."

And in 1909 the United States and Canada signed the Boundary Waters Treaty, which guaranteed one more time that throughout its life "the navigation of all navigable boundary waters shall forever continue free."

To the best of our knowledge none of these constitutional guarantees or regulations or treaties or agreements has ever been rescinded, renounced, or altered in any way.

We note that user fees of another sort will go into effect in October with the imposition of fuel taxes on tugs and towboats in the Mississippi. But even these charges are intended to help defray operating

and maintenance costs and are not designed to pay for construction projects.

Meanwhile, rehabilitation and new construction for the Lock and Dam 26 project at Alton, Ill., has been estimated at $540 million in October 1979 dollars. And the planned but not yet authorized additional lock for the same complex has been estimated at from $120 million to $170 million depending on the lock size. Users will not be required to pay for construction costs.

Again we do not raise a question regarding the validity of these projects. We reiterate, however, that users should not be compelled to continue to pay for the seaway's initial construction.

The present situation, tolls for the fourth seacoast and none for other coastal ranges, is manifestly discriminatory. Elimination of the need for the Seaway Corporation to repay its construction costs should at the very least stabilize the Government's position with regard to the level of tolls, if tolls must indeed continue to be levied.

Although H.R. 3258 may fall short of the perfect solution, it would represent a major and significant step toward achieving fairness for the Great Lakes.

Thank you for the opportunity to appear. And if you have any questions, I would be pleased to attempt to answer them.

Mr. ROBERTS. Thank you, Mr. Helberg.

Mr. Oberstar, do you have any questions?

Mr. OBERSTAR. Mr. Helberg, what would a 40-percent increase in tolls, which is the projection for the level of increase that would be required in 1982 to maintain the repayment schedule, what would that level of increase in tolls do to cargo from the port of Duluth?

Mr. HELBERG. I can see it having only an extremely harmful effect. When the—during the negotiating period in 1977 between the United States and Canada, many people said that an increase of any kind would drive business out of the Great Lakes. There are some who probably will argue now that that did not happen. Well, I suggest that as an example, in the last few years we have had a boom nationally in the export of grain. When the market is right, when there is a strong international demand, when the freight rates are high, an increase in tolls in bulk grain for example may not at that period of time have an immediate effect.

But when—when the margins are less than fat and when the—we are in competition for our livelihood as ports, as people who work in ports with other modes of transportation and with ther coastal ranges, that any increase in tolls whatsoever can divert business very, very quickly.

I don't have the record or the facts in front of me, perhaps some subsequent testifier will. But general cargo on the other hand, which is highly competitive and which is very fragile in terms of any additional costs placed on the back of those cargos, has not increased in recent years through the seaway.

Mr. OBERSTAR. Would the effect of a toll increase be greater on bulk cargo or general cargo?

Mr. HELBERG. It depends, Mr. Congressman, on the—really on the times, the markets, the conditions of the time.

General cargo though, please note, took a tremendous increase in this last go-around. Consider, from 90 cents a short ton in 1977 to

its present level of $2.15 per metric ton. Now that's, I think, the kind of an increase that can divert business away.

Further increases on general cargo, which is labor intensive, which means so much to the terminal operators, the longshoremen, the terminal warehousemen, the tugs, the pilots, the linesmen, the agents, the freight forwarders, the customs brokers, and all of those folks who get involved with the tremendous ripple effects of general cargo, I just can't see that we can put too much more restraints or limitations on general cargo in any way.

Mr. OBERSTAR. Would a substantial increase, would a 40-percent toll increase in 1982 have, would that increase in tolls tend to divert from the lakes general cargo that now is moving on a, which I see is on a very tentative basis? It's a very elusive cargo and one that could readily be diverted to rail to move to seaboard ports.

Mr. HELBERG. Very definitely. I see that as a very, very clear threat. As I said earlier, general cargo has a very fragile rate structure. We compete mightily, sometimes successfully with river ports, coastal ports, with the railroads. General cargo is vitally important to the well-being of the Great Lakes economy.

Mr. OBERSTAR. Now doesn't the U.S. Government have to pay a part of that toll when we are, and necessarily part of that increase, when we are shipping Government-aid cargos out of the Great Lakes, Public Law 480 cargos?

Mr. HELBERG. It becomes a part of that lowest cost formula that is applied by the Government. So yes, ultimately it does.

Mr. OBERSTAR. And therefore the Great Lakes ports in shipping Public Law 480 cargos are less competitive because of the toll structure than other ports elsewhere in the United States?

Mr. HELBERG. Not only is that accurate, Mr. Congressman, but we see for example, Mr. Congressman, every winter when the navigation season on the St. Lawrence Seaway has ended, an immediate increase in freight rates out of the gulf for Food for Peace cargos.

Mr. ROBERTS. Let me correct one thing. We have been talking about this, no one else paying anything. The new bills on the gulf ports require that we participate up to a certain depth, and beyond that they pay the total cost of construction. The corps will pick up the maintenance up to 40 feet, and below that they even participate in the maintenance. We have one State that estimates it's going to cost them $1 billion for their part of one project.

Mr. HELBERG. May I ask, Mr. Chairman, when you say "they," you are referring to whom?

Mr. ROBERTS. I am referring to gulf coast ports.

Mr. HELBERG. To the ports themselves?

Mr. ROBERTS. That's correct.

Mr. HELBERG. But how about the shippers and the carriers of the cargos?

Mr. ROBERTS. Well, I don't know who is paying it, that's up to the ports. I am sure they are going to collect it from somebody. I don't believe they're going to be doing it for free.

I mean, I'm not being argumentative.

Do counsel have any questions?

Mr. HELBERG. Nor am I, sir.

Mr. ROBERTS. There is no such thing as a free cup of coffee any more, and it's getting real rough on these ports.

Mr. DOYLE. Just one, Mr. Chairman.

You talked about article 1, section 9 of the Constitution and preferences not being given to one port over another; and then you state that tolls for the fourth seacoast and none for the other coasts, clearly discriminatory. It seems to me you are at least raising the possibility of a constitutional problem. Has that ever been tested to your knowledge?

Mr. HELBERG. In perfect candor, Mr. Doyle, in about 1971 I believe it was, the Seaway Port Authoriy of Duluth announced its intention, publicly too of course, to file suit against the Government, Department of Transportation, various other folks who seemed to be in line for such action, challenging the constitutionality of tolls. But it did not come to fruition because, as I understand it—and I assure you, I am only repeating in this case secondhand information—it was pointed out quite clearly that the Government of these United States had a little more in its coffers in order to defend such a case than the Port of Duluth had in order to fight it.

Mr. ROBERTS. Thank you, Mr. Helberg.

Mr. HELBERG. The potential lawsuit was dropped. So, yes; the question still remains one in our minds.

Mr. ROBERTS. Well, only one thing bothers me, and I think we are certainly going to have to do something to try to keep these ports going at full blast. But I can remember when everybody here and every other Great Lakes port was offering anything in God's world if we would just get the St. Lawrence Seaway. Now we have done it, and now they want to lay down on it. And that bothers me a little bit.

But will you get your next witness, please?

Mr. OBERSTAR. No further questions.

Mr. HELBERG. Thank you.

Mr. OBERSTAR. Next is David W. Oberlin, Administrator of the St. Lawrence Seaway Development Corporation.

Mr. Oberlin, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF DAVID W. OBERLIN, ADMINISTRATOR OF THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Mr. Chairman, members of the Committee, I am pleased to be here in Duluth to share with you the Department of Transportation's feelings on H.R. 3258, a bill to restructure the financing of the activities of the Saint Lawrence Seaway Development Corporation. This bill would eliminate the requirement for the Seaway Corporation to repay its capital costs on a fixed schedule before a statutory deadline. Rather it would require the Seaway Corporation to return funds to the Treasury of the United States at the same percentage of federal investment in Seaway facilities as the Seaway Corporation's counterpart agency in Canada, the St. Lawrence Seaway Authority, returns to the Treasury of that country.

The Saint Lawrence Seaway Development Corporation, one of the component administrations of the Department of Transportation, is a government corporation which regularly returns funds to the federal treasury. Funds are generated through tolls assessed upon the ships and cargoes which travel through the Seaway facilities. The St. Lawrence Seaway is a bi-national waterway which was constructed jointly by the United States and Canada and is now administered by the two country's respective Seaway entities.

Tolls on the Seaway are assessed under a Joint Tariff of Tolls and the revenues derived from the Montreal to Lake Ontario section are divided according to a negotiated formula. From its share of these revenues the U.S. Corporation pays all its operating, maintenance, development and administrative costs and returns an annual amount to the Treasury which is applied against its outstanding long term debt.

In the United States, the Seaway's construction was financed through the mechanism of bonds which were issued by the Seaway Corporation to the Secretary of Treasury. The Seaway statute requires the Secretary to purchase these bonds and provides that they be retired by the Corporation according to a schedule agreed to between the Corporation and the Treasury Secretary. Of its total authorized borrowing authority of $140 million, the Seaway Corporation has borrowed $133.8 million of which $22.8 million has been returned to the Treasury. The statute also provides that all the borrowings of the Corporation are to be paid back within 50 years.

H.R. 3258 would eliminate the present requirement that the Seaway Corporation repay within 50 years from the date of borrowing all monies borrowed from the Treasury for construction of U.S. Seaway facilities. It substitutes instead a requirement that the Corporation pay into the General Fund of the Treasury revenues in an amount which would represent a return on the U.S. Seaway investment comparable to that realized by the Saint Lawrence Authority of Canada on its investment in Seaway facilities. In addition, SLSDC would be required to pay into the General Fund other revenues that exceed the sum of the costs of operating and maintaining its facilities, depreciation on the facilities, and authorized payments in lieu of taxes. These payments would be made to the Treasury not later than 180 days after the end of each calendar year. The Bill also would amend the statutory guidelines for the establishment of toll levels so as to make them consistent with the amended payback provisions. Finally, the bill would terminate the outstanding balance of obligations previously incurred by the Seaway Corporation.

It is the Department's understanding that this legislation was proposed in response to the increases which resulted from the 1977 U.S.-Canada toll negotiations and to minimize the severe impact of another round of major increases. Prior to those negotiations Canada restructured the finances of its Seaway Authority to provide that outstanding loans from the Government of Canada be converted to equity and authorized the Minister of Transport to fix, from time to time, the amount to be paid by the Canadian Authority annually out of its toll revenue as a return on capital. With the full implementation of the 1977 increases this season, Canada is looking for a return of one percent on the equity holding of $625 million. If Canada were to seek a level similar to that of the United States the required increases in tolls would be significant.

The 1977 increases were phased in over a three year period to lessen their impact on Seaway commerce. Because the full amount of the increase was not immediately reflected in additional Seaway Corporation revenues, DOT prevailed upon Treasury to reschedule the Seaway's debt retirement over the four year period of the negotiated toll agreement.

Treasury was reluctant to agree to a future rarrangement of payments which would result in a present value of less than the present value of the payment schedule in effect at that time. Accordingly, under the new debt retirement schedule, payments will increase to $5 million per year in 1982. This will inevitably require a toll increase at that time. As a result of tolls now being assessed on the Welland section in addition to the Montreal-Lake Ontario section of the Seaway, Canada will achieve a lower rate of return on its investment in these two facilities than does the United States on the facilities of the Seaway Corporation. Accordingly, Canada may seek a comparable rate of return on investment when the present agreement expires. To generate revenues sufficient to cover a $5 million debt payment annually, tolls assessed by SLSDC will have to be increased.

Mr. Chairman, Secretary Goldschmidt has asked me to advise you that although this legislation would materially alter the financial basis of the SLSDC, the Department does not want the United States to enter the next round of Seaway toll negotiations under a requirement to seek tolls which would be unreasonably high. With low cost, energy efficient transportation becoming more and more valuable to our economy, it is in the national interest to take full advantage of our investment in Seaway facilities, without unduly burdening grain and other midwestern cargoes and commodities which move through the Seaway. While we are not prepared to endorse the solution presented in H.R. 3258, we are reviewing the situation and will advise the Committee of our recommendations.

Mr. OBERSTAR. Please proceed.

TESTIMONY OF DAVID W. OBERLIN, ADMINISTRATOR OF THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION, DEPARTMENT OF TRANSPORTATION

Mr. ROBERTS. Dave, we are glad to get you out of Washington and get you up here with us.

Mr. OBERLIN. Well, it's good to be back here in Duluth, Mr. Chairman. I got up early this morning and took a ride around, didn't get here last night in time. And a lot of nice improvements here. One of them is probably that I left. But nevertheless——

Mr. OBERSTAR. Dave is the former port director.

Mr. ROBERTS. Yes; I understand.

You're familiar with the rules. So if you'll accent whatever things are important, and I want to hear something about these tolls and what it costs and what we ought to do.

Mr. OBERLIN. Thank you, Mr. Chairman.

I'm sort of here to represent the Department of Transportation and their views on H.R. 3258 to restructure the finances. Of course the bill would eliminate the requirement to repay capital costs on a fixed schedule before a deadline, and would require the Corporation to return funds to the Treasury at the same rate as the Canadian counterpart, the Seaway Authority of Canada.

The Corporation, as you know, is one of the administrations of the DOT, and we regularly return funds to the Treasury. Funds are generated through tolls assessed both on the ships and the cargos which go through the seaway. The seaway is a binational waterway which was jointly constructed by the United States and Canada and is now administered by the two entities of the two countries.

Tolls are assessed under a joint tariff which we negotiate with Canada, and the revenues derived from the section from Montreal to Lake Ontario are divided according to that negotiated formula. Now for the Welland, the tolls for the Welland revert entirely to Canada since the United States has no investment in that. From its share of the revenues, the Corporation pays all of its operating costs, its maintenance costs, development and administrative costs, and returns an amount to the Treasury which is applied against our outstanding debt.

When we were originally financed, we were financed through the mechanism of revenue bonds which were issued by the Seaway Corporation to the Treasury. The Seaway statute requires the Secretary to purchase these bonds and provides that they be retired by the Corporation according to a schedule agreed to between the Corporation and the Treasury. Of the total authorized borrowing authority of $140 million, we borrowed $133.8 million, of which $22.8 million has now been returned to the Treasury. The balance, I might add parenthetically, we are saving for an emergency. If we should have a major failure, we need to get money in a hurry, why we have saved the balance for that purpose.

H.R. 3258 eliminates the requirement that the Corporation repay within 50 years from the date all money borrowed from the Treasury, and substitutes the requirement that we pay into the general fund of the Treasury revenues in an amount which would represent the U.S. investment comparable to that realized by the St. Lawrence Seaway Authority to its investment. In addition we would be required to pay

into the general fund other revenues that exceed the sum of our operating and maintenance costs, depreciation, and authorized payments in lieu of taxes. These payments will be made to the Treasury not later than 180 days after the end of each year. The bill would amend the statute guidelines for the establishment of the tolls to make them consistent with the amended payback provisions. Finally the bill would terminate the outstanding balance of obligations previously incurred by the Seaway Corporation.

It is the Department of Transportation's understanding that this legislation was proposed in response to the increases which resulted from 1977 United States-Canadian toll negotiations and to minimize the severe impact of another round of major increases. Prior to those negotiations Canada restructured the finances of its Seaway Authority to provide that outstanding loans from the Government of Canada be converted to equity; and authorized the Minister of Transport, who is the counterpart of our Secretary of Transportation, authorized him to fix from time to time the amounts to be paid by the Canadian Authority annually out of its toll revenue as a return to capital. With the full implementation of the 1977 increases this season, Canada is looking for a return of 1 percent on the equity holding, which now amounts to $625 million. If Canada were to seek a level similar to that of the United States, the required increases in tolls would indeed be significant.

The 1977 increases were phased in over a 3-year period to lessen their impact on seaway commerce. Because the full amount of increase was not immediately reflected in additional seaway revenues, DOT prevailed on the Treasury to reschedule the debt retirement over a 4-year period of the negotiated toll agreemnt.

The Treasury was reluctant to agree to further rearrangement of payments which would result in a present value of less than the present value of the payment schedule in effect at that time. Accordingly, under the new debt schedule, payments will increase to $5 million in 1982. This will inevitably require toll increases at that time. As a result of the tolls now being assessed on the Welland in addition to the Montreal to Lake Ontario section, Canada will achieve a higher rate of return to its investment in these two facilities than does the United States on the facilities of the Seaway Corporation. Accordingly, should Canada may seek a comparable rate of return to investment when the present agreement expires. To generate revenues sufficient to cover a $5 million debt annually, tolls assessed by SLSDC will have to be increased significantly.

Mr. Chairman, Secretary of Transportation Goldschmidt has asked me to advise you that although this legislation would materially alter the financial basis of the St. Lawrence Seaway Development Corporation, the Department does not want the United States to spend the next round of toll negotiations under a requirement to seek tolls which would be unreasonably high. With low-cost, energy-efficient transportation becoming more and more valuable to the economy, it is in the national interest to take full advantage of our investment in the Seaway facilities, without unduly burdening grain and other Midwestern cargos and commodities which move through the seaway. While the Department is not prepared to endorse the solution presented in H.R.

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3258, it is reviewing the situation and will advise the committee of the Department's recommendations.

Mr. ROBERTS. Thank you, Mr. Oberlin.

Mr. OBERLIN. Thank you, Mr. Chairman.

Mr. ROBERTS. How many bonds are outstanding? How much do we have in this?

Mr. OBERLIN. The total bonds outstanding now are approximately $113 million—$111 million, I'm sorry—$111 million outstanding right now.

Mr. ROBERTS. What kind of interest rate?

Mr. OBERLIN. We don't have any interest rate on these bonds. That was the——

Mr. ROBERTS. Free, gratis, for nothing?

Mr. OBERLIN. Well, there was an interest rate on the bonds before the 1970 Merchant Marine Act. At that time the Corporation was in the position of paying interest on interest, we called it at that time. We got the interest relieved, so that we all just, we had to pay back only the principal. But we pay first, our first moneys go to operations and maintenance, then to development and administration. Then whatever is left we put in to pay back the bonds. And we have now paid $1 million back on bonds due in 1980 and 1981, which means that we will probably be able to meet, with reasonably good business, our payments up to 1982. But after that we're not going to be able to meet the payments.

Mr. ROBERTS. Are we stuck with this thing because it's an international compact handled by the State Department, agreed to by our Government with Canada? Of course they want all the traffic in their ports that they can get, and I don't blame them for that; we want it all on our side. But are we stuck with it because it's a compact?

Mr. OBERLIN. Well, I think that we are, that the concept that it be paid, the payback, the principal was the legislative, the only way that it legislatively was possible, was to get the seaway built. The Canadian law does not require tolls, but our law does. Now since we have been charging tolls, the Canadians have seized that as an opportunity to also get additional revenue, and they have been charging tolls. This year for the first time they have put major tolls on the Welland. Of course we don't have any tolls on the Saulte Ste. Marie locks, which are the locks—so we have an imbalance there. In other words there is, we're not, they're charging tolls for the use of their locks but we are not charging tolls for the use of our locks at the Saulte. So we have a complicated situation.

I think the fundamental problem is that our competition—which is basically, let's say, Mississippi River for water transportation—has nothing, doesn't have a comparable charge. And if we are to raise the rates to the point where we could return the capital, we won't have any business to charge. It's just that simple. I mean it. We are charging what the traffic will bear. And I think, as my——

Mr. ROBERTS. The point I'm leading up to, if we're stuck with the compact, we don't have jurisdiction over it.

Mr. OBERLIN. That's right.

Mr. ROBERTS. The Judiciary Committee has got jurisdiction. If it's on the toll basis, then Ways and Means has jurisdiction. And I think we're sticking our nose out. Although we can make a recommendation, I don't think it's going to carry a whole lot of water with those two committees.

Mr. OBERLIN. Historically, Mr. Chairman, the Seaway Corporation affairs have been handled by the Public Works Committee in the House and by the Commerce Committee in the Senate. And we really had no interface with any other committees in the Congress but those two, and the Appropriations Committees of course.

Mr. ROBERTS. Thank you, sir.

Mr. Oberstar?

Mr. OBERSTAR. Mr. Chairman, in response to your question, the repayment requirement is not the subject of a compact between the United States and Canada. It is required in section 5 of the St. Lawrence Seaway Development Corporation Act of 1954 as amended in 1957.

For the financing of the construction of the Seaway, the St. Lawrence Seaway Development Corporation was authorized to issue revenue bonds payable from revenues of the Corporation back to the Secretary of the Treasury. There was a limit of $140 million set on those bonds; $133 million in bonds was issued, and $22 million of that has been repaid. So there remains $111 million of the capital. This is not, the retirement of that capital has not been a subject of legislation by the Ways and Means Committee but has been regulated by direction of the Treasury and the St. Lawrence Seaway Development Corporation.

There is a parallel action here. The Government of Canada, which similarly through its Seaway Development Agency issued bonds for the construction of the Canadian portion of the Seaway, required the repayment of those bonds. But several years ago, instead of making it a debt retirement, converted it to equity and asked the Seaway Corporation of Canada to repay to the Government of Canada a 1-percent rate of return on that equity.

I have patterned my legislation after that of Canada, to put the United States and Canada on an equal footing. And the Canadians have about 70 percent of the Seaway construction costs, United States about 30 percent of the Seaway construction costs.

Mr. OBERLIN. That's right.

Mr. OBERSTAR. This legislation would make the two seaway debt retirement programs equal. And we are not required to do what the Canadians have done. But if we raise the tolls, then so will the Canadians. It's kind of the tail wagging the dog. The smaller portion of the seaway investment is causing the larger portion to increase its cost of business.

Mr. ROBERTS. Do counsel have any questions, comments?

Mr. TYLER. No questions, Mr. Chairman.

Mr. DOYLE. Just one. Last page, the administration is reviewing the situation and will make recommendations. When could we expect to be receiving those recommendations?

Mr. OBERLIN. Well, of course with—it's very difficult for me to answer that questions categorically. All I can say is that we have got to go to negotiations the first of the year. That's not much time in the ways of the Federal Government. And I'm hoping that the Department will be able to develop a position and coordinate it with the other departments certainly before that time.

Mr. OBERSTAR. If counsel would yield, I talked to Secretary of Transportation Goldschmidt on this matter on Thursday. And the

Secretary said he had been in communication with the Office of Management and Budget, had talked directly to Director McIntyre.

OMB was not able to review or complete its review of the situation nor to have an administration position. They assured me, he assured me that he as Secretary would try to get a statement from the administration of its position within a very short time to meet whatever schedule the subcommittee might have. But he is very strongly interested in having this matter resolved before the toll negotiations must begin at the beginning of next year.

Mr. OBERLIN. Mr. Chairman, I'd like to comment, that the problem that the seaway is facing, the Corporation is facing in meeting this debt is that we have, as I earlier indicated, a delicate balance for the flow of commerce. The—a substantial increase in tolls obviously would divert the commerce that now travels through seaway elsewhere. I do not view the—our immediate calculations are such that we do not view the limitation of the requirement to pay back more than the Canadians are paying back as being so substantial as to cause a diversion of cargo from other routes to the seaway. It simply, it simply seems to us that this is a necessity for maintaining the present business.

Mr. ROBERTS. Well, do you feel that we have to pass some legislation before you can sit down and say maintain the present? I don't think anybody has testified against the present level, it's just keeping it from going up. Can you operate with the present toll level and——

Mr. OBERLIN. Not and pay back the requirement of the debt, there is no way I could do that.

Mr. OBERSTAR. It's the increase in the debt repayment requirement which will occur in 1982 which is the problem. The current repayment debt service is $2½ million. That works out to a rate of return to the Treasury of nearly 2 percent, 1.9 percent. In 1982 that——

Mr. ROBERTS. The Treasury is only paying what, 13 percent for their money? That's not a very good proposition. I'm not——

Mr. OBERSTAR. Well, that's——

Mr. OBERLIN. Yes. But, Mr. Chairman, it's a sunk cost.

Mr. ROBERTS. I realize, I realize.

Mr. OBERLIN. It's a sunk cost.

Mr. OBERSTAR. The Chair is absolutely right. We try to ignore that point here however.

Mr. ROBERTS. I think you're a good witness, and we will be seeing you. It's handy that you are there. And certainly we want to keep this as viable and operating, the whole system.

Mr. OBERLIN. Right.

Mr. ROBERTS. I'm not at all sure we can forgive the $113 million ever, because we had too hard a time selling the St. Lawrence Seaway when we passed it. And we had a lot of help and a lot of promises of how we were going to get all that money back fast, as you know.

Thank you, sir.

Mr. OBERLIN. Thank you, Mr. Chairman.

Mr. ROBERTS. Counsel has a question.

Mr. OBERLIN. Sorry.

Mr. TYLER. What are your annual toll revenues now and what are your projections for traffic increases or decreases in the future?

Mr. OBERLIN. We have a modest increase projection of our annual revenues of the United States of $11 million this year. We have some, we have some forecasts.

Mr. ROBERTS. Thank you very much.

Mr. Oberstar.

Mr. OBERSTAR. The next witness, Mr. James McCarville, port director for the port of Superior.

Mr. ROBERTS. Welcome before the subcommittee, Mr. McCarville. We enjoyed being with you yesterday.

The full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF JAMES MCCARVILLE, PORT DIRECTOR, SUPERIOR, WISCONSIN

Members of the Committee: I am pleased to testify before you today. Many criticisms of the current Seaway financing problem has been stated by other port interests.

I would like to go on record to add that if there is also a change in the federal policy requiring a national waterway user fee, that we not be taxed twice. Instead, we are seeking equitable treatment. Now, no other waterway that I know of requires this fee.

While the impact of the fees in the past two years have been overshadowed here by the high grain prices, I fear what the impact would be if the prices fall.

Furthermore, when the tolls were increased, there was no political avenue for us to express our interest. I certainly hope that program will be addressed by this committee so it does not occur again in the future.

Mr. ROBERTS. Please proceed.

TESTIMONY OF JAMES McCARVILLE, PORT DIRECTOR, SUPERIOR, WIS.

Mr. MCCARVILLE. Congressman Roberts, Congressman Oberstar, I would just like to from the start add my support to some of the comments made earlier by Davis Helberg, my counterpart on the Duluth side of the harbor, that I represent the Superior Board of Harbor Commissioners and we are in a very similar situation and many of the same statements holod for us on both sides. I would like to personally add our support also to Congressman Oberstar's proposal for restructuring the debt.

I feel that our country will be entering some very trying times, as I'm sure everyone in here is aware of. And we have to make a concerted effort to use those resources that we have most effectively. And I feel that here, here is a tremendous national resource on the Great Lakes, shipping nearly 10 million tons of agricultural products a year for export with its corresponding impact on our Nation's balance of payments. It's an important local resource as well. Recent studies on the Superior side have indicated that as much as 65 percent of our local work force is related directly or indirectly to the port, and that local resource of course stretches all the way to the Dakotas, Montana, and Wyoming.

That resource is now taxed between $10,000 and $30,000 per ship in Seaway tolls, depending upon the cargo and the amount. While the shipments of grain, which is one of our primary commodities that we ship on the Superior side, in the past year has remained strong, nationwide we are profoundly concerned with what the impact of the tolls would be if the margin for grain was reduced even slightly. While the increase in tolls that we have just seen is troublesome, I'm even more concerned, as you have just stated, on what's going to

happen when the present toll structure expires in 1982 and it will be up for negotiations.

I was very troubled the last time—perhaps I was just too new to the business. But I felt that there was not an effective elected body that we could appeal to in those negotiations. And I am very pleased that you are holding these hearings today to get us on the record, and to get us the opportunity to state our concerns. In addition I'm troubled by the thought that an additional user fee in the form of a gas tax may be added across the board. I'm troubled. Are we going to be paying twice in user fees for the repayment of the single investment?

Mr. ROBERTS. Well, I'm afraid you're going to be taxed, but you're not going to get any credit for that extra.

Mr. OBERSTAR. Mr. Chairman, my recollection of the user fee that was passed in the last Congress is that it does not apply to the St. Lawrence Seaway because it already pays its own user fee at a higher rate than the user fee imposed on the inland waterways.

Mr. ROBERTS. I think as long as it's a higher rate, that's true. But I don't know when that break-even point comes. The gentleman makes a good point.

Excuse me, Mr. McCarville.

Mr. MCCARVILLE. Yes; I agree with the Congressman. And my concern is that, I think what we're concerned with is equitable treatment here.

Mr. OBERSTAR. Yes.

Mr. MCCARVILLE. With that, I would just like to close. Thank you.

Mr. ROBERTS. You are very kind, and you did a real good job yesterday. And as I told Mr. Helberg, I am very impressed with your port facilities and the amount of commerce that you have out here. I hope we can keep it growing.

Does counsel, either counsel, have any questions?

Mr. TYLER. No; I don't.

Mr. ROBERTS. Thank you, sir.

Mr. MCCARVILLE. Thank you.

Mr. OBERLIN. Thank you very much for a fine presentation.

Mr. OBERSTAR. Next is Mel Pelfrey, who is wearing his hat as the chairman of the Great Lakes Task Force this morning, representing a wide range of interests from throughout the Great Lakes. And we want to thank you very much for being here, Mr. Pelfrey. It's a lot easier to get you to come to Duluth than it is to come to Washington, D.C. And I share your feelings about being here rather than in Washington.

Mr. PELFREY. I might add, the fishing is much better up here than it is in Washington.

Mr. OBERSTAR. Mr. Pelfrey, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF MELVIN H. PELFREY, CHAIRMAN, GREAT LAKES TASK FORCE, EXECUTIVE VICE PRESIDENT, LAKES DISTRICT 2 MEBA–AMO, AFL–CIO

Good afternoon, Mr. Chairman, members of the subcommittee, distinguished guests. My name is Melvin H. Pelfrey, and I welcome you to Duluth, Head of the Lakes. As Great Lakes Executive Vice President of District 2 Marine Engineers Beneficial Association-Associated Maritime Officers, AFL–CIO, and chairman of the Great Lakes Task Force, I thank you for the opportunity to speak for this necessary legislation today.

The U.S. Great Lakes-St. Lawrence Seaway navigation system is an important cog in the nation's maritime machinery. It is the industrial and agricultural Midwest's outlet to the world's trade routes and the hub of domestic raw materials transportation.

In 1979, 55.3 million metric tons of cargo moved through the Montreal-Lake Ontario portion of the Seaway alone; that same year, a record 177.8 million tons of iron ore, grain, and coal moved across U.S. Great Lakes waters by bulk carrier. The system works to the nation's economic advantage, and it has the potential to produce much more.

But there are problems—problems District 2 MEBA–AMO and the Great Lakes Task Force have already identified and offered solutions for.

The system has its physical constraints, but its most vexing handicaps are legislative or administrative in nature. For example, longer Great Lakes and Seaway navigation seasons would persuade potential users of our waterways that the system is indeed reliable; season extension would attract new business, particularly new U.S. flag vessel operators, to Great Lakes shores through the Seaway. The technology is there, the will of Great Lakes maritime industry and labor is there, the measures for environmental safety are there, but the directive to see it through is lacking. Only Congress can authorize further work to open the system to year-round navigation and the economic tide of benefits that development would rouse.

Congress can, with one less controversial sweep of its legislative hand, remove another obstacle to maximum development and use of the Great Lakes-St. Lawrence Seaway navigation network: the inequitable debt structure that unfairly burdens the U.S. St. Lawrence Seaway Development Corporation.

The SLSDC is an agency within the Department of Transportation that operates the U.S. portion of the international waterway; Canadian Seaway operations are administered by the Seaway Authority of Canada. Though it is a public agency within the administrative branch, the SLSDC has a corporate structure. It owns and operates its own property and facilities; it is completely self-sustaining, drawing its revenues from tolls levied on vessels transiting the U.S. section of the Seaway. From the bottom line, the view is that the SLSDC is a profitable enterprise, prudently managed.

Since the SLSDC repaid the $2.5 million balance on its operating debt in 1978, it has cost the public nothing to operate. Very few U.S. agencies can make that claim today.

Yet, the SLSDC is now required to repay some $113 million in debt from its construction costs. Because the SLSDC does not feed from the public trough, it must raise the money to repay the debt through increased tolls.

The same year in which the SLSDC retired its operating cost obligations, the U.S. and Canada negotiated a three-year Seaway toll increase; when the last stage of the hike became effective this year, the tolls had increased 117 percent since 1977.

The toll structure on the Seaway is discriminatory—no other U.S. waterway open to commercial navigation operates under a toll structure—but the rate of increase in those tolls is alarming. Alarming and discouraging—no vessel operator will want to tread the Seaway as new waters when tolls increase so rapidly in such little time.

If the toll trend continues, the St. Lawrence Seaway will become North America's "Dead Sea." What we hailed as an engineering marvel 20 years ago, and again in 1979, will become a 2,300-mile ditch between the U.S. and Canada, the only non-political schism between neighbors and friends. Investments of the past will have been wasted, and hope for the future will have gone aground.

But the most serious consequence would be the cost to the economy, borne in unequal measure by the consumer, the average working American. Higher costs of transporting goods by rail to East Coast ports for shipment overseas, and from East Coast ports to Great Lakes markets, will be passed on. The inflationary rage will go on, and all of us will suffer.

No one can realistically expect fuel costs to stabilize, so it would be logical for the U.S., as a matter of policy, to favor the most efficient, most economical mode of transport for its commercial goods.

A recent study by the Department of Transportation showed that waterborne transportation can move 500 tons of cargo per mile per gallon of fuel, compared with 200 tons per mile per gallon by rail, 64 tons per mile per gallon by truck, and 4 miles per gallon by air. In general, the fuel saving of water over rail was put at 11,000,000 gallons, and more than 100,000,000 over truck transport.

In light of those figures it's hard for me to imagine the U.S. slighting or ignoring the Seaway in its energy and transport planning for the 1980s.

The subcommittee can start that planning by acting swiftly on H.R. 3258, a bill to restructure the SLSDC's financing and eliminate the construction debt. The rapid ascension of this bill through the legislative process will indicate to the White House that Congress is serious when it speaks of energy efficiency and conservation and wise transport policy for America's commercial goods, and when it is signed into law. The need for new toll increases will slip from view, and the possibility of lower tolls will emerge. Finally, new incentive for maximum use and development of the Great Lakes-St. Lawrence Seaway navigation system will exist.

District 2 MEBA–AMO and the Great Lakes Task Force are not unrealistic; we do not expect, nor do we advocate, the elimination of tolls on the Seaway. But we do expect equitable treatment and sound decisions—nothing more, and nothing less.

District 2 and the task force are anchored by a strong faith in the Great Lakes-St. Lawrence Seaway system; we believe in it, and we want to tap its great potential.

One fact remains unmuddled amid our many uncertainties—the maritime industry has consistently served the United States in peacetime and in war, and we who comprise that industry on the Great Lakes and along the St. Lawrence Seaway are eager to continue in that service to the national economy. But we cannot without your cooperation.

For that reason, for sound policy, for basic equity, for maximum transportation efficiency and productivity, and to reward a public agency that does not bloat the federal budget, we urge enactment of H.R. 3258.

Thank you again for the chance to offer my views. I will be happy to answer any questions the chairman or members of the panel may have.

Mr. ROBERTS. Please proceed.

TESTIMONY OF MELVIN H. PELFREY, CHAIRMAN, GREAT LAKES TASK FORCE

Mr. PELFREY. My name is Melvin H. Pelfrey, and I'm chairman of the Great Lakes Task Force.

And the U.S. Great Lakes-St. Lawrence Seaway navigation system is an important cog in the Nation's maritime machinery. And this system works, it works to the Nation's economic advantage, but it has a potential to produce much more. There are problems, and I just want to stray away from the main subject for a moment.

The system has physical constraints, but its most vexing handicaps are legislative or administrative in nature. For example, longer Great Lakes and seaway navigation seasons would persuade potential users of our waterway that the system is indeed reliable. Season extension would attract new business, particularly new U.S.-flag operators, which are nonexistent on the Great Lakes. The technology is there, the will of Great Lakes maritime industry and labor is there, the measures for environmental safety are there, but the directive to see it through is lacking. Only Congress can authorize further work to open the system to year around navigation, and the economic benefits and the development that it would arouse.

Congress can, with one less controversial sweep of its legislative hand, remove another obstacle to maximum development and the use of the Great Lakes-St. Lawrence Seaway navigation network—the inequitable debt structure that unfairly burdens the St. Lawrence Seaway Development Corporation.

The St. Lawrence Seaway Development Corporation is an agency within the Department of Transportation that operates the U.S. por-

tion of the international waterway. Canadian seaway operations are administered by the Seaway Authority of Canada. Though it is a public agency within the administrative branch, the St. Lawrence Seaway Development Corporation has a corporate structure. It owns and operates its own property and factilities; it is completely self-sustaining, drawing its revenues from tolls levied on vessels transiting the U.S. section of the seaway. From the bottom line, the view is that the St. Lawrence Seaway Development Corporation is a profitable enterprise and prudently managed.

Since the St. Lawrence Seaway Development Corporation repaid the $2½ million balance on its operating debt in 1978, it has cost the public nothing to operate. Very few U.S. agencies can make that claim today.

Yet the St. Lawrence Seaway Development Corporation is now required to pay some $113 million in debt from its construction costs. Because the St. Lawrence Seaway Development Corporation does not feed from the public trough, it must raise the money to repay the debt through increased tolls.

The toll structure on the seaway is discriminatory—no other U.S. waterway open to commercial navigation operates under a toll structure. But the rate of increase in those tolls is alarming—117 percent since 1977. Alarming and discouraging—no vessel operator will want to tread the seaway as new waters when tolls increase so rapidly in such a little period of time.

If the toll trend continues, the St. Lawrence Seaway will become North America's Dead Sea. What we hailed as an engineering marvel 20 years ago and again in 1979 will become a 2,300 mile ditch between the United States and Canada, the only nonpolitical schism between neighbors and friends. Investments of the past will have been wasted, and hope for the future will have gone aground.

No one can realistically expect fuel costs to stabilize, so it would be logical for the United States as a matter of policy to favor the most efficient, most economical mode of transport for its commercial goods.

In light of this, it's hard for me to imagine the United States slighting or ignoring the seaway in its energy and transport planning for the 1980's.

The subcommittee can start that planning by acting swiftly on House Resolution 3258, a bill to restructure the St. Lawrence Seaway Development Corporation financing and eliminate the construction debt. The rapid ascension of this bill through the legislative process will indicate to the White House that Congress is serious whe it speaks of energy efficiency and conservation and wise transport policies for American commercial goods. And when it is signed into law, the need for new toll increases will slip from view and the possibility of lower tolls will emerge. Finally, new incentive for maximum use and development of the Great Lakes-St. Lawrence Seaway navigation system will exist.

District 2 MEBA–AMO and the Great Lakes Task Force are not unrealistic. We do not expect, nor do we advocate the elimination of tolls on the seaway. But we do expect equitable and sound decisions—nothing more and nothing less.

District 2 and the Task Force are anchored by a strong faith in the

Great Lakes-St. Lawrence Seaway system. We believe in it, and we want to tap its great potential.

One fact remains unmuddled amid our many uncertainties—the maritime industry has consistently served the United States in peacetime and in war. And we who comprise that industry on the Great Lakes and along the St. Lawrence Seaway are eager to continue in that service to the national economy. But we cannot without your cooperation.

For that reason, for sound energy policy, for basic equity for maximum transportation efficiency and productivity, and to reward a public agency that does not bloat the Federal budget we urge enactment of the House Resolution 3258.

Thank you.

Mr. ROBERTS. Thank you for a very fine statement. I want to say one thing. We keep talking about cost in this thing, and I know that I have authorized $10 million and I'm sure we spent twice that much for Jim Oberstar for his winter navigation system.

Now I yield to you.

It costs somebody something. I mean, I'm not protesting, but it does cost something. We are spending $700 million a year for navigation in the United States, maintaining navigation.

Mr. PELFREY. I just want to assure you, Congressman, that the money that you authorized for the winter demonstration program on the Upper Great Lakes was very successful. We do have a very successful season extension program up here. We have a rapidly growing aggressive taconite industry up here the money was well spent.

Mr. ROBERTS. I'm happy to hear you say it. But we do spend some money, so it's not all going out. Jim?

Mr. OBERSTAR. That is the problem with having an experienced and knowledgeable committee chairman, is that he knows where every dollar is buried.

Mr. Pelfrey, you do understand that even with the restructuring of the debt, converting it as the Canadians have done to equity, which would be sort of stock in the United States held in the St. Lawrence Seaway, that there would still be required of the seaway a return on that equity of 1 percent. Do you feel that's in any way a burdensome problem?

Mr. PELFREY. I think, you know, if it doesn't result in excessive increases as we have had in the last 3 or 4 years, I think, I think the seaway and its users and customers are prepared to pay reasonable tolls or user charges.

Mr. OBERSTAR. You know, I think that the equity then would be established between the United States and Canada operating on the same basis. We do have an international entity. Now if the Canadians were continuing to insist on repayment of debt in its entirety, we would have no viable argument on our side of the waters to, for the legislation I am proposing. But since the Canadians have taken the step of minimizing the cost on the seaway, it seems reasonable to me that we should do the same.

Do you happen to know what the rate of return on, or not the rate but what percentage of freight rates is represented by tolls at the present time?

Mr. PELFREY. I do not.

Mr. OBERSTAR. Well, it runs, my figures are 12 percent. That's a pretty sizable amount. And if we have to further increase the tolls to continue to repay the debt, it could get up as high as 15 percent.

No further questions, Mr. Chairman.

Mr. ROBERTS. Well, I think that would be too great a percentage. And I hope that Dave will come up with some recommendation that we can recommend to all the other people that are going to be involved before you get rid of me in January.

Any questions from counsel?

Mr. TYLER. How does the interlake traffic compare to the traffic which comes through the St. Lawrence River itself, and how much of the traffic utilizes the Great Lakes and perhaps some of the dredged waterways without paying the tolls? I assume the tolls are collected only at the locks?

Mr. PELFREY. The tolls are only collected at the locks. And it's basically, the toll effects the overseas traffic.

Mr. TYLER. So there is substantial traffic within the lakes that does not pay any tolls?

Mr. PELFREY. True.

Mr. TYLER. Does it utilize any channels maintained by the United States?

Mr. PELFREY. It uses channels maintained by the United States. But basically, the ships on the Great Lakes area, primarily feed the utility and the steel industry, and the end product of shipping on the Great Lakes is either power or steel. And I think there are, there are appropriate taxing devices within the steel and the utility industry to insure that Uncle Sam gets dollar for dollar return to this investment.

Mr. OBERSTAR. Well, if counsel would yield, there is about 5 million tons of grain that moves from the Port of Duluth into international commerce. And another 2 million goes to Canada, which of course is still international commerce but it's moving through the seaway. That 5 million tons of grain that goes through the seaway does benefit from the Saulte lock system.

No further questions on my part, Mr. Chairman.

Mr. ROBERTS. Mr. Pelfrey, thank you for a very fine statement.

Mr. OBERSTAR. Mr. Joseph Fox, speaking for the Marine Engineers Beneficial Association.

TESTIMONY OF JOSEPH C. FOX, EXECUTIVE DIRECTOR, AMERICAN MARITIME OFFICERS SERVICE

Mr. Fox. Good morning, gentlemen.

Mr. ROBERTS. Now you have got me. I have Mr. Pelfrey listed for the Marine Engineers, Mr. Fox for the Maritime Officers.

Mr. Fox. That's right. We're the management group of MEBA, Mr. Chairman.

Mr. ROBERTS. Thank you.

Mr. Fox. Mr. Chairman, my name is Joseph C. Fox. I'm the executive director of the Maritime Officers Service.

I think 14 of our member companies are currently engaged in shipping on the Great Lakes. The American Maritime Officers Service appreciates the opportunity to testify in support of H.R. 3258, legislation which seeks to reconstruct the structure of the financing of the

activities of the St. Lawrence Development Corporation. We feel that this legislation is long overdue and will enhance the ability of the Great Lakes to strengthen its competitive posture versus the other U.S. ports.

The existing financial burden on the seaway imposed by the obligation to repay its construction debt leads to a toll structure which on some commodities over the past 3 years has increased 117 percent. Such charges militate against commerce through the seaway to and from our other ports on the Great Lakes, and patently discriminate against the Great Lakes in several of the tidewater ports. We agree with Congressman Oberstar, who has stated that, "the present burden of the seaway users is excessive and unfair."

The American Maritime Officers Service, in conjunction with the Great Lakes Task Force, supports this measure which would eliminate the St. Lawrence Seaway Development Corporation's obligation to repay its construction debt. This would remove the possible factor requiring future oil increases and could possibly lead to a decrease in toll rates.

The legislation, while still requiring Seaway Corporation to pay for its share of the administration, operating, and maintenance costs of the seaway, envisions a toll structure more attune to the needs of the seaway's users and of the Great Lakes port range generally. Additionally, the legislation would finally put the United States on a par with Canada insofar as the obligation to pay off the seaway's construction costs. While this legislation doesn't mean eliminating the competitive problems faced by the Great Lakes, it would remove the major obstacle to its full development as our Nation's fourth seacoast.

Again, Mr. Chairman, I appreciate the opportunity to present our views, and I stand ready to answer any questions the committee may have.

Mr. ROBERTS. Thank you, Mr. Fox.

You get sort of a hazy feeling now. It seems to me that more important, if we—these tolls, since just half of them are paid apparently through international, the other half is Great Lakes—seems to me like we ought to be trying to stabilize the tolls, but have a lot more interest and a lot more concern, a lot more improvement, by improving this harbor out here by getting the depth down. And somebody has got to pay the bill. Of course, Mr. Oberstar will be on the committee and will be able to pretty well help with that policy. But I would think, rather than eliminating any payment at all, we would be a lot better off to improve this port facility, spend a bunch of money, a bunch of Federal money getting it down to a satisfactory depth. And we can't do them all, that's for sure. So I don't know.

Mr. Oberstar, I yield to you.

Mr. OBERSTAR. Mr. Chairman, there is one other element on which you have been very helpful and very understanding, and that is extending the navigation season so that we can retain the traffic in the lakes. The uncertainty of sailing is another element that has driven commerce away from the Great Lakes. If through increased traffic we can recapture some of the costs of those increases, why it makes the seaway more viable. But as we're stuck with about an 8½-month sailing season, you can't recapture any increase in tolls through increased

productivity, because you are just really locked in. So you really put your finger on it. There are other steps that can be taken, and the purpose of these hearings is to get some of those ideas forth.

Mr. Fox. Well, it's amazing how some areas of the country, the Tombigbee, gets $1.6 billion for dredging, and other areas of the country are neglected. And this is one of my personal complaints, that again we are neglected up here as far as dredging of the harbors. You take Duluth, you take ports that are struggling, Milwaukee, that need this extra extended season to make ends meet. And——

Mr. ROBERTS. Well, let me say this, Mr. Fox. All of us need something different. I came into town yesterday, you've got more buildings built here by Oberstar and the EDA that you needed than I have, than the whole area of Dallas has. And there are five Congressmen there. We aren't eligible, we don't have any unemployment, but we need a lot of other things. Tombigbee is the same way. Every one of them have to pay back with interest, and it will pay back the Government or it wouldn't get built.

I don't have any particular thing for the Tombigbee, but it's going to be an enormous assist and pay back very quickly. The cost-benefit ratio is fantastic on it. So you can't say, "Well, we're discriminated against," because you can just look out here, and I say we're discriminated against. But the best we can do is do the best we can for everybody, but nobody gets all of the cake he wants. He got most of it, I am sorry to say.

Mr. OBERSTAR. Mr. Chairman, I think we'll quit while we're ahead on that point.

Mr. Fox. I certainly do too.

Mr. ROBERTS. Thank you very much.

Mr. OBERSTAR. Thank you very much.

Next, Mr. Gary Failor, seaport director of the Toledo-Lucas County Port Authority.

Mr. Failor, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF GARY L. FAILOR, SEAPORT DIRECTOR, TOLEDO-LUCAS COUNTY PORT AUTHORITY

Good morning/afternoon . . . my name is Gary L. Failor, and I am seaport director at the Port of Toledo (Ohio). I appreciate the opportunity to testify before this subcommittee today. In support of House Bill 3258, which is introduced to restructure the financing of the activities of the Saint Lawrence Seaway Development Corporation.

Ladies and gentlemen, as a strong link in the St. Lawrence Seaway-Great Lakes Transportation System, the Port of Toledo feels it has been harnessed with a financial albatross for the past 20 years. The financial burden carried by the seaway needs to be restructured, in order to give international ports like Toledo the opportunity to continue to attract world-wide trade.

Toledo and other Great Lakes ports have long benefited from waterborne commerce through the St. Lawrence Seaway. However, the ports, shippers and consumers, who rely on the seaway, have struggled with a financial burden completely out of proportion to that faced by users of other federally-constructed and maintained navigational trade routes.

The St. Lawrence Seaway Development Corporation, the Department of Transportation Agency which administers the U.S. Seaway facilities, is required by present statute to pay all its operating, maintenance and administrative costs from tolls which it assesses on ships and cargo that pass through the Seaway. Another dimension of the statute provides for seaway tolls to be assessed at a

level designed to generate sufficient revenue to allow the U.S. Seaway Corporation to return $2 million annually to the Federal Treasury for repayment of the seaway construction debt.

As you are aware, the Inland Waterway Revenue Act of 1978 requires the users of other Federal waterways to contribute only a minimal amount toward the costs of developing and maintaining the Federal waterway system through a fuel tax. This tax does not apply to the fuel used by deep-draft ocean vessels which directly compete with the Great Lakes overseas trade through federally-maintained, toll-free tidewater harbors.

Because of the enormous financial burden strapped to Great Lakes ports by present Federal laws, Seaway charges must continually be passed on to its users to meet Seaway expenditures, as well as to make repayment of its construction debt. Without a doubt, some modifications of the burden which the Seaway Corporation must pass on to its users, is extremely overdue.

In a manner not to put the U.S. at a disadvantage during periodic negotiations with Canada on the level of Seaway tolls, the Port of Toledo believes appropriate modifications would help relieve the unnecessary and unfair financial stress now existing on the Seaway and its contributing Great Lakes ports.

The modifications could be accomplished by simply eliminating the present requirement for full-debt repayment within 50 years. Instead, the Seaway Corporation would pay into the Treasury any revenue it receives in excess of its operating and maintenance costs, depreciation, and payments in lieu of taxes. There remains $113 million which under present law must be repaid by the Seaway users by the year 2013. The present pay-back schedule calls for the increased payments of $5 million in each of the years 1982 through 2001. While $5 million is a relatively inconsequential amount in terms of the total Federal budget, it is a significant figure to the Seaway Corporation, which has an entire budget for the present fiscal year of a mere $10.6 million.

Certainly, if $5 million a year is to be paid by Seaway users, it would be more appropriately utilized if it were reinvested in improvements and necessary repairs to the U.S. Seaway facilities, rather than applied against sunk costs of the Federal Government. Of course, if the absolute pay-back requirement was removed from the Seaway Corporation, this would eventually work its way back to Seaway users, as toll increases would not have to be so frequently, or severely, raised.

If the United States is to enter the Seaway toll negotiations scheduled for 1981 with a position that is at all reasonable, it must be relieved of the present statutory obligation to repay its entire construction costs. Otherwise, the toll level which will be required from the United States, and possibly demanded by Canada, will be of such magnitude it will destroy the overseas trade of the U.S. Great Lakes ports and relegate the Seaway to an almost exclusively Canadian-domestic carrier route. The Great Lakes ports bear the burden of Federal regulations—vis-a-vis trigger price mechanism, the Russian grain embargo and unrealistic tolls like no other ports do, and they should be granted some reasonable relief, especially when the relief would improve the entire Seaway system with better maintenance procedures and the implementation of a research and development program.

The Port of Toledo believes strongly that the Great Lakes ports are losing their competitiveness with other U.S. port ranges, because of the financial burden and subsequent accelerated toll structures. According to the Great Lakes task force, a vessel moving out of the Great Lakes in 1977, carrying 16,236 net tons of rolled sheet steel for export, was required to pay $14,612.40 as the toll charges on the cargo. A three-year incremental increase was negotiated between the U.S. and Canada in 1978. When the third increment became effective at the beginning of the 1980 shipping season, tolls on that same cargo amounted to $31,667.35. And that, unfortunately, is an outrageous increase of 117 percent. It is bad enough that any tolls have to be paid at all. No other waterway is saddled with this kind of financial dilemma. But an increase of 117 percent makes it impossible—or at the very least economically illogical, for that cargo to be attracted to Great Lakes ports. Keep in mind that we are talking about a Department of Transportation agency which receives not one penny from the taxpayers in this country. The St. Lawrence Seaway Development Corporation needs no tax money to operate. Despite this, the Seaway is being forced to repay a balance of $113 million on the cost of its construction.

In 1959, when the Seaway opened, it was thought to be a breakthrough in the introduction of user-pay waterways in the United States. However, today, 20 years later, the Delaware Ship Canal between Philadelphia and Baltimore, the

Chesapeake Bay above Norfolk, and the New Orleans River Waterway, just to name a few prime competitors for Seaway traffic, are all toll free. And, in the future, tolls are expected to come more frequently and increase at an accelerated rate.

Instead of the competitive disadvantage which unrealistic tolls now represent to the Seaway, ways must be found to use toll revenues to improve and expand the system. The Port of Toledo would like to see a research and development program established in the immediate future, and a capital improvement fund, using toll revenues, created much like the airport development fund in the United States. We can't stand still. The time can be no sooner. Tolls must be utilized for construction of new and larger locks, improved navigational aids, extended season facilities, environmental protection programs, and more efficient service, instead of going into the coffers of the U.S. Treasury.

If we're to be the only waterway in North America to assess tolls, let's also be the only waterway with a toll-based capital improvement fund to assure our competitive existence in the trade markets around the world.

Therefore, Mr. Chairman, the Port of Toledo urges the favorable consideration of H.R. 3258, which we've been discussing here today. Introduced before the House by U.S. Representatives James Oberstar, the bill concerns itself with the restructuring of the St. Lawrence Seaway Development Corporation's financing and to eliminate the necessity for the Corporation to repay its own construction debt. We fully endorse H.R. 3258.

Thank you very much for the time to express our views.

Mr. ROBERTS. Please proceed.

TESTIMONY OF GARY L. FAILOR, SEAPORT DIRECTOR, TOLEDO-LUCAS COUNTY PORT AUTHORITY

Mr. FAILOR. I appreciate the opportunity to testify before this subcommittee today in support of House Resolution 3258.

As a strong link in the St. Lawrence Seaway system and the Great Lakes transportation system, the Port of Toledo feels that it has been harnessed with a financial albatross for the past 20 years. The financial burden carried by the seaway needs to be restructured, in order to give the international ports in the system the opportunity to continue to attract worldwide trade.

Toledo and other Great Lakes ports have long benefited from waterborne commerce through the St. Lawrence Seaway system, However, the ports, shippers, and consumers who rely on the seaway have struggled with a financial burden that is out of proportion to those faced by other users of federally constructed and maintained navigational trade routes.

As you are aware, the Inland Waterway Revenue Act of 1978 requires the users of other Federal waterways to contribute a minimal amount toward the costs of developing and maintaining the Federal waterway system through a fuel tax. This tax does not apply to fuel used by deep-draft ocean vessels, which directly compete with the Great Lakes overseas trade through federally maintained, toll-free tidewater harbors.

Because of the enormous financial burden strapped to the Great Lakes ports by present Federal laws, seaway charges must be continually passed on to the user to meet seaway expenditures as well as make repayment of its construction debt. Without a doubt, some modifications of the burden which the Seaway Corporation must pass on to its users is overdue.

The modifications could be accomplished simply by eliminating the present requirement for full debt repayment within 50 years. Instead

the Seaway Corporation would pay into the Treasury any revenue it receives in excess of its operating and maintenance costs, depreciation, and payments in lieu of taxes.

Certainly if the $5 million a year is to be paid by seaway users, it would be more appropriately utilized if it were reinvested in improvements and necessary repairs to the U.S. seaway facilities, rather than applied against the sunk costs of the Federal Government. Of course, if the absolute payback requirement was removed from the Seaway Corporation, this would eventually work its way back to seaway users, as toll increases would not have to be so frequently or so severely raised.

If the United States is to enter the seaway toll negotiations scheduled for 1981 with a position that is at all reasonable, it must be relieved of the present statutory obligation to repay its entire construction costs. Otherwise, the toll level which would be required from the United States and possibly demanded from Canada will be of a magnitude that will destroy overseas trade of the U.S. Great Lakes ports. The Great Lakes ports presently bear a burden of Federal regulations—such as the trigger price mechanism, the Russian grain embargo, and other handicaps such as the unrealistic toll structure—like no other ports do. And they should be granted some reasonable relief, especially when that relief would improve the entire system with better maintenance procedures and implementation of a research and development program.

In 1959 when the seaway opened, it was thought to be a breakthrough in the introduction of user-pay waterways in the United States. However today, 20 years later, the Delaware Ship Canal between Philadelphia and Baltimore, the Chesapeake Bay above Norfolk, and the New Orleans River Waterway, just to name a few prime competitors for seaway traffic, are toll free. And in the future tolls are expected on the seaway to become more frequent and increase at an accelerated rate.

Instead of the competitive disadvantage which unrealistic tolls represent to the seaway, ways must be found to use the toll revenues to improve and expand the system. The Port of Toledo would like to see a research and development program established in the immediate future and a capital improvement fund, using toll revenues, created much like the airport development fund in the United States. We can't stand still. The time for this can be no sooner. Tolls must be utilized for construction of new and larger locks, improved navigational aids, extended season facilities, environmental protection programs, and more efficient service, instead of going to the U.S. Treasury.

If we are to be the only waterway in North America to assess this type of toll, let's also be the only waterway with a toll-based capital improvement fund to assure our competitive existence in the trade markets of the world.

Therefore, Mr. Chairman, the Post of Toledo fully endorses and urges favorable consideration of this bill.

Thank you for allowing us to express our views.

Mr. ROBERTS. Well, thank you for a very fine statement. I think you make some real good points.

Mr. Oberstar?

Mr. OBERSTAR. Yes, Mr. Chairman, I concur in your comment on the presentation.

And, Mr. Failor, I think it's a very good statement from our neighbors to the east and to the south on the Great Lakes. And again you have very effectively represented the Port of Toledo, and I want to thank you for being here today. I also want to thank you for the award you presented to me earlier this year.

Mr. FAILOR. OK.

Mr. ROBERTS. Counsel?

Mr. TYLER. No questions.

Mr. DOYLE. No questions.

Mr. ROBERTS. Thank you very much.

Mr. OBERSTAR. Our next witness is Mr. John Seefeldt, chairman of the Wisconsin Conference of Great Lake Ports.

TESTIMONY OF JOHN A. SEEFELDT, CHAIRMAN, WISCONSIN COUNCIL OF GREAT LAKES PORTS, AND PORT DIRECTOR, GREEN BAY, WIS.

Mr. SEEFELDT. Mr. Chairman, Congressman Oberstar, Counsel. I'm John Seefeldt, port director of Green Bay, Wis., and chairman of the Wisconsin Council of Great Lakes Ports. I am appearing today in support of H.R. 3258.

Passage of this bill is vital to the future of the Great Lakes, for if it is passed, it will quite likely lead to a reduction in tolls, which are already much too high.

Further, since no other waterway in this country assesses tolls, even though billions of dollars were and are continuing to be spent in constructing some of them, we feel that it is time the Great Lakes receive some equality of treatment by our Government.

Passage of this bill is a step in the right direction.

We also feel that the Federal Government should not contribute to unbalanced competition, which is what has been happening over the last decade or two.

The moneys expended to improve waterways in the Mississippi River area far surpasses, by comparison, the small amount committed to the seaway. Yet no payback mechanism was set up for the river improvements. This most assuredly has created an unfair competitive advantage in favor of these waterways, which is evidenced by the proliferation of quote, seaports, end quote, on these new waterways. Furthermore, at this moment, another 235-mile waterway is under construction.

H.R. 3258 is a very necessary piece of legislation, since it would probably lead to a more stable toll structure, which would benefit Wisconsin shippers and consumers. In these critical times of energy conservation, this route to the world markets is vital to the national interest. Expanded use, brought about by a more cost competitive toll structure, will result in increased employment in the Great Lakes area.

There is no doubt that H.R. 3258 is a positive approach toward the revitalization of the Great Lakes-St. Lawrence Seaway.

Thank you very much.

Mr. ROBERTS. Well, I thank you. How many Wisconsin ports do you represent?

Mr. SEEFELDT. Four ports, Superior, Green Bay, Milwaukee, and Kenosha.

Mr. ROBERTS. Mr. Oberstar?

Mr. OBERSTAR. I have read the statement ahead of time. And I want to thank John for a very thoughtful, helpful presentation.

Mr. SEEFELDT. Thank you.

Mr. OBERSTAR. He has been a great advocate for the lakes and an outstanding director in his own right, and I know that he understands the problems of the lakes.

And we are grateful for your support on this legislation.

Mr. SEEFELDT. We have been fighting it for 28 years. Thank you.

Mr. ROBERTS. Thank you.

Mr. SEEFELDT. Thank you.

Mr. OBERSTAR. Next is Rear Adm. Roy Hoffmann, who is chairman of the Western Great Lakes Ports Association.

Mr. ROBERTS. Admiral, it's nice to have you with us.

The full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF ROY F. HOFFMANN, RADM, USN (RET.), CHAIRMAN, WESTERN GREAT LAKES PORTS ASSOCIATION AND A DIRECTOR, INTERNATIONAL ASSOCIATION OF GREAT LAKES PORTS

The Western Great Lakes Ports Association is an organization whose primary purpose is to promote the joint and common interests of all ports on the west bank of Lake Michigan and Lake Superior and tributaries thereto; to encourage the development and use of waterborne transportation between those ports and all ports, both foreign and domestic. Its membership consists of the ports of Indiana, Chicago, Kenosha, Milwaukee, Green Bay, Superior, Duluth and the State of Illinois. In additon, this statement represents the position of the American Section of the International Association of Great Lakes Ports. The IAGLP is made up of duly constituted United States and Canadian public port organizations within the Great Lakes system, their members and executive officials. The primary objectives of the Association are to promote port development and commerce with sound economic lines; to encourage the development and use of waterborne transportation between the Great Lakes and all world ports; to coordinate as far as practical all actions and activities to the furtherance of the aforesaid interests. The American Section consists of the ports of Detroit, Toledo, Cleveland, Erie, Buffalo, Ogdensburg and Oswego in addition to the western Great Lakes ports as previously listed.

The following testimony is respectfully submitted in support of a bill introduced on March 27, 1979 in the House of Representative by Congressman James L. Oberstar, numbered HR 3258 and entitled "To Restructure the Financing of the Activities of the St. Lawrence Seaway Developoment Corporation."

The Congress has acknowledged that the Great Lakes-St. Lawrence Seaway System is an essential element to the foreign trade and commerce of the United States, and in 1970, by amendment of Section 809 of the Merchant Marine Act of 1936, designated said Great Lakes of the United States as the Fourth Seacoast of our country. As such it was the intent of the Congress to indicate that this seacoast, in common with the other three seacoasts of the United States, should share and prosper from the handling of international commerce.

In spite of this Fourth Seacoast designation, the Great Lakes-St. Lawrence Seaway is the only federally constructed United States waterway on which the users must bear the burden of operating, maintenance and original cost of construction.

At the present time, Seaway tolls are of such magnitude that they have become a significant factor in inhibiting development through this avenue of international trade. Although we do not suggest a reduction in current toll rates, restructuring of the debt as proposed in HR 3258 could greatly reduce the negative impact of these tolls by offering an opportunity for a prolonged moratorium on toll rate increases. Such a moratorium coupled with the current and near term rate of inflation would significantly reduce the relative cost of Seaway tolls to both shipper and carrier, thus placing Great Lakes ports in a much improved competitive position with U.S. and Canadian East Coast ports.

Increasing the utilization of the GLSLS offers a major means of reducing our foreign trade deficit through increased exports of manufactured and agricultural products. Agricultural products, particularly grain, are the largest export item in our balance of trade accounting for some $32 billion dollars in 1979. Yet our transportation system is unable to accommodate the burgeoning products of Midwest export from farms and grain elevators. Although all modes of bulk agricultural transportation must be improved, the Seaway System offers the most expedient energy efficient and cost-effective means of capitalizing on our unexcelled agricultural production. Moreover, the Seaway offers the logical gateway for exporting the massive amounts of capital equipment which are manufactured in the Midwest area.

Further, this cost- and energy-efficient waterway system has a potential for expansion which can be accomplished at relatively minimal expense, by applying currently-available technology to extend its period of operation. The cost of extending the Seaway navigation season one month would be essentially a lineal extension of normal operating expenses, plus the additional costs of ice control equipment such as ice booms and bubblers, U.S. Coast Guard icebreaking requirements and improved 24-hour navigation equipment. To the best of our knowledge no dredging or major construction will be required for a one-month extension and the additional equipment should be readily available. In fact, the Corps of Engineers concluded that the benefit/cost ratio of a 10-month extension of the navigation season on the Great Lakes-St. Lawrence Seaway System would be approximately 4 to 1.

Contrast this with the estimated ratio of benefits to costs of the Red River Waterway of 1.8 to 1; yet that system will cost the United States taxpayers over $1.2 billion—over three times the cost of the St. Lawrence Seaway project. Again, the cost-effectiveness of the St. Lawrence-Great Lakes System may be pointed up by contrasting it with that of the Tennessee-Tombigbee Waterway, which, although not yet completed, has cost the American public over $2.8 billion, or over 4 times the cost of the St. Lawrence Seaway System.

To date, the St. Lawrence Seaway Development Corporatioon has returned to the Treasury over $60 million in construction and interest revenue. There is not one other waterway system in the United States that has, to the best of our knowledge, paid one penny back to the federal government for construction, dredging, or otherwise improving the waterways of the inland system.

The reduction in vessel costs which would result from a restructuring of the Seaway debt would provide an incentive for the operators of American-flag vessels to reassess their position with respect to operating liner service to the Great Lakes gateways, particularly with respect to European service. The inauguration of strong United States flag service to the Fourth Seacoast would have a doubly beneficial effect, first, by providing more sailings and capacity to the Midwest exporter, and second, by infusing additional revenue into the operations of the American Merchant Marine by increased ton-miles of carriage.

In summary, our analysis of H.R. 3258 leads us to conclude that such legislation would result in the following economic benefits to the American public:

1. The farmers and other exporters of the Midwest would achieve equity with the users of other federally-funded waterway systems.
2. A more favorable economic climate would attract additional steamship service to the agricultural and industrial heartland of the United States.
3. This additional service would work toward relieving the backlog of agricultural exports which now exists. This would significantly alleviate the current imbalance of foreign trade.
4. The increased economic health of the Seaway System would strengthen its ability for capacity expansion in a cost-effective manner by navigation season extension.
5. The U.S. Merchant Marine would benefit from the opportunity to engage in additional economically feasible trade routes.
6. The relatively minor reduction in funds paid in to the general fund of the Treasury would be more than offset by the benefits resulting from the improved economic health of the hinterland manufacturing cities and agricultural communities.
7. Major steps would be taken toward accomplishing the national goal of reduced energy consumption.

The Western Great Lakes Ports Association and the International Association of Great Lakes Ports are heartily in accord with the provisions of the Bill, and we feel that the passage of this Bill would rejuvenate and revitalize this impor-

tant arm of American commerce, and that it is absolutely essential to the well-being of the ports on the Fourth Seacoast.

We thank you for the opportunity of being able to present this testimony, and again urge passage of this Bill.

WESTERN GREAT LAKES PORTS ASSOCIATION,
Milwaukee, Wis., March 7, 1980.

PRESIDENT,
The Executive Mansion,
Washington, D.C.

DEAR MR. PRESIDENT: In the interest of alleviating the continuing and seriously overloaded transportation system of the upper Midwestern states, conservation of energy, and enhancement of our national economy, the Western Great Lakes Ports Association requests that the Administration initiate a proposal to the Government of Canada to extend the annual closing date of the Great Lakes/St. Lawrence Seaway System from 15 December to 15 January.

Although the early months of our current winter were unusually mild, the success of delaying the closing date of the past navigation season for only three days and on very short notice was adequately demonstrated by the substantial economic benefits accruing to both nations. According to Secretary Goldschmidt, this small delay allowed more than 15 million additional bushels of U.S. and Canadian export grain valued at over $53 million to pass through the Seaway in the final six days (3 additional days allowed on request of Canadians) of the 1979 navigation season.

Meanwhile, our Western Great Lakes export granaries are already at 90 percent of total storage capacity with country granaries and on-farm storage sites mostly beyond storage capacity. Currently, the export granaries of Duluth, Superior, Milwaukeee, Chicago and Toledo have a total of approximately 159 million bushels in storage.

The early opening of the Seaway 24 March 1980 in advance of the customary 1 April will help alleviate the current 1979 cary-over; but the inadequate agriculture transportation problem is a long-term issue, deserving the Administration's timely attention, as suggested in the White House letter of 23 October 1979 addressed to Chairman, Western Great Lakes Ports Association, which states in part: ". . . The situation which has developed in the upper Midwest has focused the Administration's attention on the very severe problems which are presented annually by the seasonal nature of the Seaway. Accordingly, we will re-evaluate the degree of importance which we attach to extending the Seaway season and hopefully a situation such as we are encountering this year can be avoided in the future."

We believe the time for the Administration to reevaluate and act is now—not only to relieve the burgeoning granaries, but more importantly to capitalize on the incomparable export grain production of Midwest farms as a major means of reducing our serious deficit in balance of trade and control of inflation.

The continuing and astounding growth of U.S. grain production is well-substantiated by both government and private forecasts. For example the CORPORATE REPORTER magazine, October 1979 issue recorded the following:

Grain exports:	*Billion bushels*
1971	1.7
1978	4.0
1984 (estimated)	5.5

Relief of the current Midwest and Gulf bottlenecks and ability to efficiently handle the forecast grain demand will require a balanced approach by improvement in all modes of bulk transport; but we believe the Great Lakes/St. Lawrence Seaway offers the most economical and timely approach.

Six of the top ten grain production states border on the Great Lakes and the remaining four are in the immediate trade area.

A recent USDA marketing and transportation feasibility study for construction of a new export granary on Lake Michigan clearly substantiates the competitiveness of ship-borne grain movement via the Seaway to most trade areas.

For economy of energy to the Atlantic Trade routes, the Seaway is incomparable: It requires about 55 days per round trip to transport 1,200 tons of grain on a fully loaded barge to New Orleans from Minneapolis. In the same time frame of 55 days, an ocean carrier can transport 18,000 to 20,000 tons of grain from Duluth to Rotterdam and return.

A 22,000-ton grain ship is equivalent to 726 maximum-sized grain trucks, or 219 jumbo railroad hopper cars.

The cost of extending the Seaway navigation season one month would be a lineal extension of normal operating expenses, plus the additional costs of ice control equipment such as ice booms and bubblers, U.S. Coast Guard icebreaking requirements and improved 24-hour navigation equipment. To the best of our knowledge, no dredging or major construction will be required for a one-month extension and the additional equipment should be readily available. We suggest the recently distributed survey study for Great Lakes and St. Lawrence Seaway Navigation Season Extension Main Report, February 1980, by the U. S. Army Engineer District, Detroit, Corps of Engineers as a reference document.

Unquestionably, there will be some objections to any extension of the Seaway because of environmental risks. However, we suggest that the successful results of year-round maritime operations from 1975 through 1978, on the upper four Great Lakes and connecting locks and canals, as part of the Corps of Engineers' Demonstration Program for Season Extension, clearly demonstrates the feasibility of operating safely through an extended season with minimal environmental impact.

A similar operational demonstration program for the St. Lawrence River was never conducted, primarily because of environmental and economic objections by the State of New York and local hydroelectric power authorities; but we again contend that the successful results of winter operations on the St. Marys and Detroit Rivers, the favorable findings of the Corps of Engineers' hydraulic ice models, and supporting findings of two independent hydraulic consultants for the St. Lawrence Seaway Development Corporation, refute any major risk to the understandable concerns over lake water levels and the consequent potential effect on hydroelectric plants.

In our judgment, the economic and social benefits to both nations, by annually delaying the closing of the Seaway one month, far exceed the minimal environmental risk. We sincerely appreciate your past response and ask for your continuing support.

Very respectfully,

ROY F. HOFFMANN,
Rear Admiral, USN (Ret.) Chairman.

Mr. ROBERTS. Please proceed.

TESTIMONY OF REAR ADM. ROY F. HOFFMANN, CHAIRMAN, WESTERN GREAT LAKES PORTS ASSOCIATION, AND DIRECTOR, INTERNATIONAL ASSOCIATION OF GREAT LAKES PORTS

Admiral HOFFMANN. I represent the Western Great Lakes Ports Association and the American Section of the International Association of Great Lakes Ports. We start out on the south part of Lake Michigan with Burns Harbor, the Indiana port, and go to Chicago, Kenosha, Milwaukee, Green Bay, Superior, Duluth, and the State of Illinois, and then Detroit, Toledo, Cleveland, Erie, Buffalo, Ogdensburg, and Oswego.

Now when Congress acknowledged that we were the fourth seacoast back in 1970 by amendment of section 809 of the Merchant Marine Act of 1936, they designated us as the fourth seacoast. And we believe it was the intent of Congress to indicate that this seacoast, in common with the other three seacoasts of the United States, should share and prosper from the handling of international commerce.

In spite of this designation, the Great Lakes-St. Lawrence Seaway is the only federally constructed U.S. waterway on which users must bear the burden of operating, maintenance, and original cost of construction.

And we don't want to get the cost, confusion of the cost of ports as opposed to a Federal navigation system. Ports are basically 90-percent constructed by free enterprise and/or local entity government.

At the present time the seaway tolls are of such magnitude that they have become a significant factor in inhibiting development through this avenue of international trade. Although we do not suggest a reduction in current toll rates, restructuring of the debt as proposed by Congressman Oberstar would greatly reduce the negative impact of these tolls by offering an opportunity for a prolonged moratorium on toll rate increases. Such a moratorium, coupled with the current and near term runaway rate of inflation, would significantly reduce the relative cost of seaway tolls to both the shipper and the carrier, thus placing the Great Lakes ports in a much improved competitive position with the United States and Canadian east coast ports.

Increasing the utilization of the Great Lakes-St. Lawrence Seaway system offers a major means of reducing our foreign trade deficit through increased exports of manufactured and agricultural products. Agricultural products, particularly grain, are the largest export item in our balance of trade, accounting for some $32 billion in 1979. Yet our transportation system is unable to accommodate the burgeoning products of Midwest export from farms and grain elevators. Although all modes of bulk agricultural transportation must be improved, including Houston, sir, the seaway system offers the most expedient energy efficient and cost effective means of capitalizing on our unexcelled agricultural production. Moreover, the seaway offers the logical gateway for exporting the massive amounts of capital equipment which is manufactured in the Midwest.

Further, this cost and energy efficient waterway system has a potential for expansion which can be accomplished at relatively minimal cost by applying currently available technology to extend its period of operation. The cost of delaying the annual closing of the seaway for 1 month would be essentially a linear extension of normal operating expenses plus the additional costs of ice-control equipment such as ice booms and bubblers and the Coast Guard icebreaking requirements, plus a 24-hour navigation system. Now to the best of our knowledge no dredging or major construction will be required for a 1-month delay or extension, if you will, and the additional equipment should be readily available.

Now we're not talking about a major corps program. We're talking now about the agreement between two governments. It can be done administration to administration for a 30-day period. Now if you look into the corps report, you would see that they in fact for their 10-month extension—and we would only be 1 month behind it at 9½—there is an approximate 4-to-1 cost-benefit ratio.

To date the St. Lawrence Seaway Development Corporation has returned to the Treasury over $60 million in construction and interest revenues. There is not one other waterway system in the United States to the best of our knowledge that has paid back this type of return.

The reduction in vessel operating costs which would result from a restructuring of the seaway debt would provide an incentive for operators of American flag vessels to reassess their position with respect to operating liner service through the Great Lakes gateways, particularly with respect to the European service.

Now, right now we have one line that operates on the Lakes to any significant degree; 55 percent of our exports go into Central Europe, 66 percent of imports into the Great Lakes States come from Europe,

yet we do not have one liner service flying the American flag into Central Europe. In fact we don't have a good liner service flying any flag.

The inauguration of a strong U.S. flag service would have a doubly beneficial effect, first by providing more sailings and capacity to the Midwest exporter, and second by infusing additional revenue into the operations of the American Merchant Marine by increased ton-miles of carriage.

Now one of the common mistakes made is, particularly in places like New York is, they assume that by not going through the Great Lakes Seaway system, that this is going to the east coast. Not so. Canadian diversion is gobbling up about $600 million a year through Montreal, and more importantly containers going out through St. Johns and to the north—suddenly I have forgotten, anybody help me—Halifax, excuse me, $600 million. And that roughly is about 500 tons, 500,000 tons of prime rate cargo.

If you go down to Chicago, Caterpillar, Case, International, Allis-Chalmers, John Deere—blue boxes going up towards Detroit, out of Toledo, out of Cleveland, out of Milwaukee, all major capital equipment production centers, the real heart of our industry. And it makes you cry to see all those blue boxes, because you know they are Canadian.

Now I don't know of a thing against the Canadians. As a matter of fact we belong to the International Association of Great Lakes Ports, and we think that the free enterprise system is working. But in this case we are losing, sir, because we do not have this international route.

And as I mentioned before, we don't want to take off the tolls as we see them today, just put a moratorium on them, as has already been suggested. And I think that the rate of inflation as it's going right now will bring it down proportionately so that they will be back in a competitive situation.

Now in summary here, we feel the passage of H.R. 3258 would lead to these following benefits to the American public:

1. Our farmers and other exporters of the Midwest would achieve equity with the users of other federally funded waterway systems.
2. A more favorable economic climate would attract additional steamship service to the agricultural and industrial heartland of the United States.
3. This additional service would work toward relieving the backlog of agricultural exports which now exists. This would significantly alleviate the current imbalance of foreign trade.
4. The increased economic health of the seaway system would strengthen its ability for capacity expansion in a cost effective manner by navigation season extension.
5. The U.S. Merchant Marine would benefit from the opportunity to engage in additional economically feasible trade routes.
6. The relatively minor reduction in funds paid into the general fund of the Treasury would be more than offset by the benefits resulting from the improved economic health of the hinterland manufacturing cities and agricultural communities.

And finally, major steps should be taken toward accomplishing the national goal of reduced energy consumption.

As spokesman for the Western Great Lakes Ports Association and the International Association of Great Lakes Ports, we are heartily

in accord with the provisions of the bill, and we feel that the passage of the bill would rejuvenate and revitalize this important arm of American commerce, and that it is absolutely essential to the well-being of the ports of the fourth seacoast.

We thank you for this opportunity, sir, and we urge your passage of this bill.

Mr. ROBERTS. Thank you, Admiral. I think you are the first person that indicated that the real competition is coming from Canada rather than from our other ports. And I don't how in a compact, how you're going to get the Canadians to agree to letting us have an advantage. Do you have any suggestions?

Admiral HOFFMANN. I might have over-emphasized that, because the competition is coming from the east coast also. But the point we are trying to emphasize here is that by having this relatively high additional cost, that we are having difficulty competing with the railroad system combined with the system of the east coast, Canadian ports. And that is where a high percentage of this cargo, that if it doesn't go through the seaway system, it would be going to Baltimore, New York, Charleston, and so forth. But a high percentage of that is not, in fact is going up through Canada. And that means we are losing that revenue from the United States completely.

Mr. ROBERTS. That's a good point Mr. Oberstar?

Mr. OBERSTAR. Mr. Chairman, in response to your question about. and you make a very apt observation and I think the Admiral did too, about the Canadian diversion, which has other complexities than the seaway toll question. But Canada now has a rate of return on its investment in the seaway of 1 percent because of their restructuring of the debt. The U.S. rate of return on its investment in the seaway is 3.75 percent. The purpose of this legislation is to equalize the two by bringing the U.S. rate of return down to that 1 percent level that the Canadians have done through their restructuring of debt.

There is another question that I would like to ask the Admiral. And that is, in 1982 when the toll, when the repayment must go to the $5 million a year level on the seaway, the St. Lawrence Seaway Development Corporation has estimated a 40-percent increase in tolls to accommodate that doubling in payment cost. Do you have any figures as to what the toll at that point will be as a percent of freight rate?

Admiral HOFFMANN. I do not, sir. But I can say that we have just completed a very comprehensive study on what the cost of operating a steamship line against gross revenue is. And one of the—I mean, it's very close. If we could keep that lid there right now, there is a chance that we can get steamship service, liner service that we are looking for here. But I can assure you, there is no way we can absorb the 40 percent unless they have comparable increases or higher, because it, we just cannot convince either American flag or European flag that there is enough profit for them to come into the lakes at this time, particularly when you have the competitive system of the Canadian railroad system.

Mr. OBERSTAR. Well, the purpose of this legislation is to achieve that equity in competition among inland domestic waterway systems and with Canada.

Now with the waterway usage charge that goes on in the form of gasoline excise or motor fuel excise tax, 4 cents a gallon this year, up

to 10 cents a gallon in 1985, the waterway user fee would be 5 percent of freight rate in 1985. If the current seaway toll does not change, in 1985 it would still be at the present rate of 2½ times greater than the gasoline, I mean motor fuel fee that we would charge, it would still be 2½ times the rate of freight rate.

Now I wonder if I may ask the Seaway Administrator, Dave Oberlin, could you give the committee that figure, what the tolls would be as a percent of the freight rate with the increase that would be required without this restructuring of debt?

Mr. ROBERTS. Let me point out one thing to my distinguished colleague. Until I got this hammer, we didn't have any tax on inland waterways. Now you are taxing only, you are being taxed only on the locks?

Mr. OBERSTAR. Right.

Mr. ROBERTS. You are not paying anything else, you are paying nothing on your inland stuff?

Mr. OBERSTAR. That's right.

Mr. ROBERTS. And we maintain that the same as we do the Mississippi River system. Most of the Mississippi River improvements, by the way, are flood control to keep from flooding the areas, rather than—they just happen to have incidental help to the others. I want to develop all of them, but—you would think they were ruined when we put the 4 cents on, if you remember.

Mr. OBERSTAR. Well, Mr. Chairman, as the chairman knows, I opposed the 4 cents. I bowed to the inevitable. I stood alongside my chairman in that fight, and I think the Chair is correct in that point.

Mr. OBERLIN. I'll get the figure for the record, Mr. Chairman.

Admiral HOFFMAN. Further speaking about Lock and Dam 26, you're going to get a 15-percent improvement in commerce going through the Mississippi River to the New Orleans outlet. And we are going to need that; we are going to need a big improvement on the railroad system. We are going to need every form of transportation improvement that we can get to stay up with the growth of agriculture in the Middle West. And I would submit, there is nothing that is going to give you a better return as far as balancing this budget than you are going to get out of your grain. Now our industry here, capital equipment is huge in itself, but grain is going to be the leader in the foreseeable future, today and tomorrow.

Mr. OBERSTAR. No further questions.

Mr. ROBERTS. Thank you, Admiral.

Mr. OBERSTAR. Our next witness is Mr. James Fish, who is the executive director of the Great Lakes Commission.

Mr. ROBERTS. And we are delighted to have you here this morning. Thank you for being here. It is good to see you again.

Mr. Fish, the full text of your prepared statement will appear in the record at this point.

[Statement referred to follows:]

STATEMENT OF JAMES FISH, EXECUTIVE DIRECTOR, GREAT LAKES COMMISSION

Mr. Chairman, members of the Committee. I am James Fish, Executive Director of the Great Lakes Commission.

The Great Lakes Commission is an eight state interstate compact commission, organized in 1955 by Wisconsin, Pennsylvania, Ohio, New York, Minnesota, Michigan, Indiana and Illinois. The Commission has received recognition by

Congress and full compact status in 1968 under the "Great Lakes Basin Compact" (Public Law 90–419). The Great Lakes Commission is funded by annual appropriations from each of the eight member states and receives no federal funding for operations, projects or programs.

As a joint statutory agency, the Commission provides three basic services to member States:

It serves as a clearing house for information on important developments on the Great Lakes and periodically prepares special studies, bulletins and reports to assist government officials and others in the use, protection and further development of these water resources.

It provides the States with a recognized and continuing council under their direction and control, for joint consideration of common and regional problems on the Great Lakes.

It coordinates views of the States and plans, recommends, and promotes programs and policies at all levels of government which the States have agreed.

Within the Great Lakes Commission we have five standing committees: Environmental Quality Control, Fisheries & Wildlife, Seaway, Navigation & Commerce, Shoreline Use & Recreation and Water Resources. These committees indicate the broad interest of the Great Lakes Commission in water management, the environment of the region, and in the orderly development of the Great Lakes region, mid-continent North America and the Nation.

Today the Committee is addressing H.R. 3258, "a Bill to Restructure the Financing of the Activities of the St. Lawrence Seaway Development Corporation." This is an issue which has been of continuing interest to the Great Lakes Commission since its creation 25 years ago. The Commission has presented testimony to this and other Committees of Congress on a number of prior occasions regarding the impact of tolls on the Great Lakes/St. Lawrence Seaway system. We have cited the inequitable affects of tolls on this system compared to other waterways of the United States where navigation services are provided without direct cost to the users.

We recognize that the original legislation authorizing the St. Lawrence Seaway construction program and creating the St. Lawrence Seaway Development Corporation was a compromise between competing interests. It represented the best possible legislation at the time it was enacted.

The Great Lakes Commission believes, however, that the time has come to recognize and rectify the problems that this legislation has created. There is no doubt to us that the problems will be exacerbated in the future if no changes are made.

Simply stated, the Great Lakes Commission supports H.R. 3258 as a viable method of maintaining and enhancing the Great Lakes/St. Lawrence Seaway Transportation System.

I will not burden you with a history of our free navigation system—you are more familiar with it than I.

H.R. 3258 would not create a budget burden on the United States Treasury. It provides that future costs of maintaining and operating the works constructed for the St. Lawrence Seaway would be met through tolls. If tolls exceeded these costs, they would be returned to the treasury. This maintains the objective of the original St. Lawrence Seaway legislation, while removing the very restrictive provisions that mandate total repayment of the construction costs, on an arbitrary schedule. I personally believe that the maintenance of tolls within a reasonable level to provide for operation and maintenance will serve to increase the traffic in future years, particularly with our increasing energy problems.

With regard to potential budget impacts, the only affect of this legislation would be to reduce revenue by a maximum of $5 million per year. When we are dealing in budgets of $600 and $700 billion per year, $5 million is a minimal amount.

Tolls to meet future operations and maintenance costs as well as the increased pay-back currently called for in the repayment schedule (Attachment A) could double again in order to meet mandated costs. The Great Lakes economy whether agricultural or industrial export or import cannot afford future increases in tolls of this order of magnitude. Increases in the tolls would be directly antagonistic to the federal policy of increasing exports to reduce our negative balance of trade. With the Great Lakes serving as the industrial and agricultural heartland of the United States, we simply cannot afford to project future increases in costs of this magnitude—particularly when they are within our power to control.

An example of the increased tolls under current procedures that the Great Lakes Community is now experiencing is provided in the most recent issue of Seaway Review. "A vessel moving out of the Great Lakes in 1977, carrying 16,236 net tons (or 14,729 metric tons) of rolled sheet steel for export was required to pay $14,612.40 as the toll charge on the cargo. A three year incremental toll increase negotiated between the U.S. and Canada was negotiated between the U.S. and Canada in 1978. This pear the third increment became effective and causes tolls on that same cargo to be $31,067.35." This reprseents a 117% increase.

As a resident of Michigan I can verify that our Great Lakes regional economy does not need additional charges applied to it. Rather, we must provide incentive for our region and our nation to grow.

Under pay-back procedures which have been in effect over the past 20 years of operation of the St. Lawrence Seaway, over $57 million has been returned to the Treasury of the United States. To our knowledge, on other project has returned this volume of money to the Treasury (see Attachment B.)

In preparation for this testimony, I reviewed the committee reports for the original authorization for the St. Lawrence Seaway project. Those reports stated a benefit-to-cost ratio of $4 returned for each $1 expended. I believe these were traditional benefit cost computations including construction, operations, maintenance and interest. These original studies did not include as a benefit the pay-back to the United States Treasury of original construction costs, and interest, nor did they anticipate 100 percent payment of operations, maintenance and repair by SLSDC.

While I am not an expert in benefit-cost computations and although this is a simple comparison, it appears to be that the general economy is getting $4 for every $1 that we invested in the St. Lawrence Seaway while the users of the Seaway—in addition—are being asked to pay back the capital construction costs. This means we are paying more than once for a facility which in 50 years will still be a Federal facility which will be in better shape than it was when it was constructed. (Normal maintenance and repair of the facilities has in fact aready improved upon the original construction.) In sum, it sounds like double jeopardy.

Mr. Chairman, the Great Lakes Commission supports H.R. 3258. We would, however, hope that Section 2(b) of this Act, which amends Section 12(b) 5 of the Act of May 13, 1954, could not be misinterpreted. One reading could be that whatever Canada sets as their "rate of return" would be acceptable to the United States. If this was the case, our St. Lawrence Seaway Development Corporation Administrator would be severely limited in his ability to protect U.S. interests in future toll negotiations. Replacing the words 'equal to" with the words "not in excess of" would assure that the Administrator in his negotiations could adhere to his "Development" objective as well as the immediate financial objective.

Mr. Chairman, this concludes my prepared testimony in support of H.R. 3258. I would be pleased to provide answers to any questions you may have now, or to submit answers for the record at a later time.

TABLE II.—ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION PROPOSED BOND REPAYMENT SCHEDULE
DEBT OUTSTANDING $115,476 (JAN. 19, 1978)

[In thousands of dollars]

Maturity date	Present schedule	Proposed revised schedule
1978	4,000	1,500
1979	4,000	2,000
1980	4,000	3,000
1981	4,000	3,000
1982	4,000	5,000
1983	5,000	5,000
1984	5,000	5,000
1985	5,000	5,000
1986	5,000	5,000
1987	5,000	5,000
1988	5,000	5,000
1989	4,000	5,000
1990	2,500	5,000
1991	2,500	5,000
1992	2,500	5,000
1993	2,500	5,000
1994	2,500	5,000
1995	2,500	5,000
1996	2,500	5,000
1997	2,500	5,000
1998	2,500	5,000
1999	2,500	5,000
2000	2,500	5,000
2001	2,500	5,000
2002	2,500	5,000
2003	2,600	3,600
2004	2,299	225
2005	9,477	225
2006	6,500	225
2007	2,500	225
2008	3,700	225
2009	4,400	225
2010		225
2011		225
2012		250
2013		200
		126
Total	115,476	115,476

Note: Based on interest rates as of the close of business on Jan. 3, 1978, the present schedule has a present value of $770 less than the proposed revised schedule.

	Operating expenses				
	Operation and maintenance	Administration	Total	Revenues	Payments to U.S. retirement of revenue bond
1959	690,067	261,166	951,233	3,204,494	2,150,000
1960	887,026	337,874	1,224,900	3,115,050	1,908,235
1961	958,614	350,381	1,317,995	3,407,461	2,115,000
1962	1,084,740	370,732	1,455,472	3,700,259	2,175,000
1963	1,124,493	376,082	1,500,575	4,443,683	2,797,385
1964	1,251,250	400,094	1,651,344	5,591,481	3,950,614
1965	1,310,664	455,084	1,765,748	6,371,814	4,550,000
1966	1,430,711	452,540	1,883,251	7,114,885	5,200,000
1967	1,548,677	445,821	1,995,498	6,109,607	4,050,000
1968	1,580,873	508,103	2,088,976	6,815,966	4,500,000
1969	1,716,484	529,437	2,245,921	5,913,975	2,750,000
1970	1,827,712	628,928	2,456,640	6,998,009	3,800,000
1971	2,130,341	623,166	2,753,507	7,472,942	3,900,000
1972	2,583,609	712,447	3,306,056	7,502,242	4,000,000
1973	2,757,993	722,623	3,480,616	7,738,411	2,500,000
1974	3,122,191	827,191	3,949,382	5,981,524	600,000
1975	3,420,799	901,984	4,322,773	6,313,460	2,000,000
1976	3,572,494	962,352	4,534,846	7,299,960	2,000,000
1977	4,157,662	1,031,388	5,189,050	8,638,314	1,000,000
1978	4,188,666	1,148,760	5,337,426	9,941,983	2,500,000
1979				NA	2,000,000
Total					60,446,234
Debt					22,800,000
Interest					37,600,000

TESTIMONY OF JAMES FISH, EXECUTIVE DIRECTOR, GREAT LAKES COMMISSION

Mr. FISH. You have my statement for the record, and I would appreciate the opportunity to summarize.

Today, with the committee addressing H.R. 3258, comes as an issue that the Great Lakes Commission has been interested in for a number of years, in fact, through all of the 25 years of the commission. And we have submitted testimony on this issue on a number of occasions; I will not bother you with the back copies of that. Much of it has been alluded to by people who have testified before. We have cited the inequitable effects of the tolls on the system compared to the other waterways which you have heard about.

We recognize that the original legislation creating this, authorizing the St. Lawrence Seaway construction and creating the St. Lawrence Seaway Development Corporation, was a compromise between the competing interests. And we think it represented the best possible legislation at the time. However, we believe that the time has come to recognize and rectify some of the problems that we are now foreseeing. We support H.R. 3258 as a viable way to move to those changes.

One of the concerns before Congress today is budget impact. H.R. 3258 as it's been proposed would provide for the future costs of maintaining and operating the works constructed. If tolls exceeded those costs, they would in fact be returned to the Treasury. This maintains the objective of the legislation, but it removes the restrictive provisions that mandate total repayment on an arbitrary schedule. We think that maintenance of the tolls within a reasonable level, providing for new operation and maintenance, will permit additional traffic and in fact ultimately probably achieve the objective of the legislation anyway.

Specifically on budget impact, the current schedule, which we have attached to the testimony as the schedule of repayment, has a maximum repayment of $5 million a year. In this time of budgets in the neighborhood of $600 to $700 billion, we think that the $5 million a year is not that significant a chunk in terms of a revenue loss.

Also, as we're looking at an increase of trade, an increase of tolls at least for this area is not a specific increase, incentive to increasing trade, as was mentioned by Admiral Hoffmann, immediately before. Coming from Michigan—and I know most of you have heard Michigan's pleas and cries in the Congress in the past few months—I can speak that we don't need additional impacts on our economy in that State, nor do I think in any of the others represented.

Mr. Chairman, I was pleased that you brought up the benefit cost ratio consideration and in terms of its being one way of computing the benefits to the economy, because the original testimony on the, and the hearing report in 1954 indicated that there was a four to one benefit cost ratio on the St. Lawrence Seaway. That I think was a traditional computation, construction, operation, and maintenance, interest; and it did not include the fact that it was going to be paid back to the Treasury.

It seems to me in looking at this—and I am certainly not an expert on benefit to cost computations—that if we assume that those estimates were relatively accurate even in these inflated times, that the St. Lawrence Seaway has in fact been paying for itself back through the

economy, as all the other projects do. It has been benefiting at the rate of $4 for each $1 put in. We have been paying for the operations and maintenance; we have been making payments, as was indicated earlier, up to $60 million already in terms of interest and principal. In sum, it appears that it may be double jeopardy in terms of repayment. We are repaying through the economy as well as through the direct payments.

I would also allude to something that's been brought up before, and that's that the inland waterway fuel tax was being attributed as a part of, as a percentage of rates. I think it's a little difficult to deal with it as a percentage of freight rates because a freight rate is from a point to a point; and we may be dealing with, you know, moving something from Minneapolis to New Orleans versus moving something from Minneapolis to Greece. Thus when you start dealing with the percentage of freight rate, I think it might be a little bit difficult to attribute a toll to a percentage of freight rate. If we are looking at a relative distance, say from the Minneapolis-St. Paul to the coast, Minneapolis-St. Paul to the other coast, we may come up with something else. But as far as the percentage of total freight rate, I think that may be a difficult computation in making comparisons.

But there is the comparison that the rates moving from 4 to 6 to 8 to 10 cents a gallon even when it's, presuming that that's completely implemented, would still be only half of what the toll rates on the St. Lawrence system would be for those same, same things moving. So that, you know, we would still be paying a significantly higher proportion for a movement of say approximately the same distance.

Mr. ROBERTS. But that would be the Canadian tolls as ours?

Mr. FISH. It's a combination.

Mr. ROBERTS. We can't do much about Canada. They can collect on the Welland, there is no question about that.

Mr. FISH. They can collect on the Welland, Mr. Chairman, and obviously by our agreement they will be collecting to meet their operations and maintenance. They are currently attempting to achieve a 1-percent return on equity. But their adjustment of debt, as I understand it, does not include an absolute requirement that they have a return on investment. That is an objective, not a requirement.

Mr. OBERSTAR. That's right.

Mr. FISH. And so I think, you know, that needs to be clear for the record.

I am a little bit concerned—and this is an interpretation sort of thing—with section 2(b) of the legislation which amends the previous act and suggests a rate of return equal to that of the Canadians. I don't have really specific language to change that, but I'm concerned that we not let the Canadians drive our toll structure. If they say, "We're going to have a rate of return of 3," and we say "We are going to be equal to you," our Administrator's hands are relatively tied.

So I think, in the hopes that this goes forward, that we might either in the committee report or other language focus on the fact that we are not trying to push things up by that, but we do want our Administrator to have the freedom to negotiate an appropriate toll and not too excessive a rate of return either.

Mr. OBERSTAR. The intent of that language was to achieve equity between the United States and Canada, but not necessarily to tie the U.S. toll to any, to any Canadian rate of increase. And the language certainly can stand some perfection.

Mr. FISH. I understand the intent. But I thought I would enter that in the record for now, because I think that the Administrator has, one, his objective to pay off the operations and maintenance clearly and possibly with some return; he also has a development objective; and if the committee was to so accept, a research and further capital improvement fund, as was suggested by our friend in Toledo. So that there are a number of things that he may be working toward.

That ends my summary, Mr. Chairman. If you have any specific questions now or later?

Mr. ROBERTS. Thank you. Yes, I have a question. You mentioned a couple of times about interest. Now we have already given away the dog, all we've got left is the tail. The interest on that $113 million would be, at the current rate would be absolutely prohibitive, even at the 5⅜ths, which is what it was in those days. And the funny thing, there is not one single town, person, or anybody else who objected to the rates when we agreed to pass the St. Lawrence Seaway, not a soul. There were—everybody wanted it. Now I grant you, times have changed and conditions have changed, and certainly something needs to be done. But now I don't know how long—remember, you've got a lot more people involved in all these other cities and so forth than just local people, and we have given back the interest. No interest is being charged at all, not 1 percent, not any percent. Now if you had to, if you gave back the principal and just got the interest, you would be in much worse shape. So I don't know, I don't know how you're going to get equity without giving away the tail that went with the dog.

Mr. FISH. Well, I guess I would say yes, I think there was a clear majority of people who were supporting the legislation as it was to get it through Congress.

Mr. ROBERTS. That's right, to get anything.

Mr. FISH. I wouldn't say everyone was, at least not as I read the history.

Mr. ROBERTS. I don't think you would find a single objector, unless you would find someone who didn't want it at all, I guess they had a connection with some other means of transportation. Jim.

Mr. OBERSTAR. I think the chairman stated it very well, that's for sure.

I would welcome any suggestions that you might have for language changes that would right the problem that you alluded to of tying toll charges too closely to Canada. We would not be wanting them to be dictating U.S. policy, that's not the purpose of this legislation.

Mr. FISH. That's primarily my concern, right, right.

Mr. ROBERTS. Do counsel have any questions?

Mr. TYLER. No.

Mr. DOYLE. You speak about potential budget impact, and you say the only effect of the legislation would be to reduce revenues by a maximum of $5 million a year. Now presumably some of that would

be offset by virtue of the increased competitive posture that the system would be under. Have you made any attempt to try and determine how much increased traffic and how much increased revenue might result from Mr. Oberstar's approach?

Mr. FISH. No, I have not. But I was presuming that, you know, that was the absolute maximum loss in terms of Treasury revenue. Presuming there is an increase in traffic and a potential increase in tolls that, with the provisions in this legislation for excess transfer, that that would be reduced below the $5 million revenue loss.

Mr. DOYLE. Right. And possibly could be totally absorbed depending on what the numbers are?

Mr. FISH. Yes.

Mr. DOYLE. The last question relates to the issue that the chairman just raised. There has been a lot of concern about the health of the railroads in the Midwest. To the extent that the competitive posture of the waterborne transportation system is improved, it would seem some of that has to come out of the railroad system.

Mr. FISH. Well, it's an interesting question as to whether it comes out of the railroad system or not, because we have had a number of proposals before the railroad system, in fact one initiated by the western Great Lakes ports to suggest to a group of railroads that they raise their rates on certain commodities to certain destinations, so that in fact they would be compensatory and which would make it competitive to move them to the Great Lakes or others. The railroads in fact repected those requests. So that sometimes I wonder what we're, what kind of an animal we're saving there, when we have gone to them and suggested major rate revisions which would make a haul compensatory when their own reports have indicated that it is not.

Mr. DOYLE. Well, it seems to me that, although initially on its face this might have the potential of working to the disadvantage of the railroads, it could also have exactly the opposite benefit, because to the extent that you are increasing traffic, you then have an opportunity to move grain and other products through the system to connect.

Mr. FISH. You move it to the connecting system. When I went back and read some of the original reports, the interesting thing that showed up there was in other canal construction, and this was prior to the construction of the St. Lawrence Seaway. The analysis was that the low revenue products that the railroads were hauling, the high bulk products that should move by water in normal conditions, were in fact moved by water once the waterway systems were developed. That left the railroads with the high revenue cargos which required a fast movement, and in fact they increased their revenues per-ton-mile. And so I would think if, if in fact that same type of analysis would hold, then the railroads should be improved as well, plus the connections.

Mr. OBERSTAR. Mr. Chairman, if I might, one further comment. A comment that you made early on in the hearing triggered a thought, I might ask Mr. Fish to comment on.

The Seaway Act, section 5, financing provision, requires a maturity period to be agreed upon by the Seaway Development Corporation and the Treasury but not to exceed 50 years. And that 50 years is 2008. If we were to stretch that maturity out over some period of time that by actuarial table would keep the schedule at its present level, what would that do to the financial competitive status of the seaway?

Mr. FISH. In other words, keep the current payments level and stretch out——

Mr. OBERSTAR. The maturity.

Mr. FISH. The maturity? I think that is a question with regard to how much maintenance is going to be required, what are those costs, what is going to happen with regard to those costs if you keep the—what you're saying there is, lock in one element of it, which is the repayment item, and say that will be a constant number. Then it's a question of what will be the maintenance requirements. Are these extraordinary, are they something too that can remain fairly level?

I certainly think that would be of benefit. And in fact in the 5-year review testimony that the Great Lakes Commission gave in 1964, one of the things that we suggested there was that the schedule of a 50-year repayment was questionable because the facility had a projected 100-year lifespan properly operated and maintained, so that it was an onerous burden to repay a facility in 50 years when it had an estimated 100-year lifespan.

Mr. ROBERTS. If the gentleman would yield, I think we should also ask Mr. Oberlin if he would comment to the committee on what effect a stretch-out would have.

Mr. OBERLIN. I would be very happy to provide that, Mr. Chairman.

Mr. ROBERTS. Yes.

Mr. OBERSTAR. Yes, and a comparison of that stretch-out to the current 1.9-percent rate of return on the debt service. I think that might give us perhaps a solution to this problem.

Mr. ROBERTS. Thank you, Mr. Fish. Always good to have you.

Mr. FISH. Thank you, Mr. Chairman.

Mr. OBERLIN. Mr. Oberstar, that last one point?

Mr. OBERSTAR. Compare, compare a stretch-out to the current rate of return.

Mr. OBERLIN. OK, all right. I thought I heard something else.

Mr. ROBERTS. OK.

Mr. OBERSTAR. No, no.

Mr. OBERLIN. May I comment on something?

Mr. OBERSTAR. Certainly.

Mr. OBERLIN. I think everybody must realize that we are not in a static economy; and that the costs of the Seaway Corporation, like the costs of every one of us, are going to rise as inflation dictates. So there is always a difficulty in projecting. You have to pick some rate of inflation, and it's never the right one. It's either too high or too low, depends on who you talk to. But anyway, it makes it very difficult to make an accurate projection. We'll do our best.

Mr. OBERSTAR. We understand that.

Our next witness represents the International Longshoremen's Association, Mr. Al Colalillo on behalf of E. L. Slaughter.

TESTIMONY OF ALBERT P. COLALILLO, ON BEHALF OF E. L. SLAUGHTER, INTERNATIONAL VICE PRESIDENT, INTERNATIONAL LONGSHOREMEN'S ASSOCIATION

Mr. COLALILLO. The International Longshoremen's Association is represented by membership in every major United States and Cana-

dian port in the Great Lakes, from Buffalo to the head of the lakes and from Oshawa, Ontario, to Thunder Bay.

We support passage of H.R. 3258 to restructure financing of activities of the St. Lawrence Seaway Development Corporation and to eliminate the need for the Corporation to repay its own construction debt.

The St. Lawrence Seaway has provided thousands of jobs for Great Lakes longshoremen and other maritime laborers through the years, but in recent times we have seen a steady siphoning off of cargos—and jobs—to other areas and other modes of transportation.

We have been hurt badly by what appear to be wasteful Government misroutings of both food for peace and defense cargos out of our own backyard to other coastal ranges and river ports, all at taxpayers' expense. Meanwhile, we see our Government agreeing with the Canadian Government to increase tolls on the cargos that move through the seaway.

We simply cannot understand how a system built for the benefit of mid-America labor, agriculture and industry can be denied the opportunity to freely and fully reach its potential. Yet, tolls, especially the portion used to pay for actual construction costs, prevent Seaway traffic from growing to the extent that it could be and should be.

We know that when the market is right, bulk grain will flow in tremendous volume through Duluth-Superior, Thunder Bay, Milwaukee, Chicago, and Toledo. In times of strong international grain demand, when the freight rates are high, the tolls may not be as restrictive as some say they are. But when the margins are thin, every penny takes on added importance and high tolls simply drive business away.

General cargo is a different story. Even though we have an outstanding record in the lakes for productivity, minimal loss and damage claims, and no, no bona fide strike actions, we in the ILA see our ranks dwindling in number because of declining shipments of general cargo. But despite this fact, we also see the biggest toll increases being made on general cargo, from the equivalent of 99 cents per metric ton in 1977 to $2.15 per metric ton in 1980.

Our members wonder how this can happen. They ask many questions to which we have no answers. They ask, for example:

Are toll increases being pushed by the Canadians to divert cargos to Canada's Government-owned railroads? Or too divert cargos to the maritime provinces and to year-round St. Lawrence River ports?

Are we being penalized for something we don't even know we've done?

Where is justice? Where are our Washington representatives?

Where is our Government?

When we do hear from our Government, we hear from them in the form of the trigger pricing mechanism, which drove most of the imported steel cargos out of the lakes to the gulf and west coast. Or we get cut back in funds for important harbor dredging projects. Or we get crucified by EPA regulations which shut down our docks, such as one of the Duluth Cargill elevators which just announced it would have to be closed on July 1 because of dust emission regulations.

We simply cannot continue to take it on our chins. We need help.

It is our belief that passage of H.R. 3258 represents a form of help.

At least it would be a start toward eliminating all tolls on the Seaway.

We strongly urge quick action in enactment of this important legislation.

Thank you for the opportunity to express our views.

Mr. ROBERTS. Well, thank you for being here. And I certainly want to emphasize what you stated about Government regulations, particularly EPA and some of the others that want to shut down a great many business facilities in the country that add dramatically to unemployment.

Mr. Oberstar?

Mr. OBERSTAR. Thank you, Mr. Colalillo. As always, a forthright and a forceful statement on behalf of the port which you so ably represent in so many ways. And we want to thank you very much for being here.

Mr. COLALILLO. I appreciate the opportunity.

Mr. ROBERTS. Any other questions?

Mr. OBERSTAR. No other questions.

Mr. ROBERTS. Counsel have any questions?

Mr. DOYLE. No; sir.

Mr. OBERSTAR. Thank you very much.

The Minnesota Farmers Union was to be represented here. Mr. Dennis Sjodin sent word that he personally would not be able to attend.

There is one other person present here, Mr. Richard H. VanDerzee, the general manager of the Port of Buffalo, who has asked to be recognized.

TESTIMONY OF RICHARD H. VANDERZEE, GENERAL MANAGER, PORT OF BUFFALO

Mr. VANDERZEE. Thank you, Mr. Oberstar. Initially Admiral Hoffmann had asked that I submit as copy of a letter that he submitted to the President on March 7 this year, asking for a 30-day extension of the St. Lawrence Seaway system. I would ask that this be made a part of Admiral Hoffmann's statement.

Mr. ROBERTS. Without objection.

[The letter referred to may be found on p. 38.]

Mr. VANDERZEE. I would just like to comment very briefly as part, as a member of the Council of Upstate Ports of New York. The five ports involved are Buffalo, Rochester, Oswego, Ogdensburg, and Albany: Albany not being on the St. Lawrence Seaway. At a meeting last week we unanimously agreed to support this legislation that we are, that's under discussion today. And I think it's important to note that even the Port of Albany, which is more east coast oriented than the Great Lakes, also added their support to this legislation.

And that's all I have to say.

Mr. ROBERTS. Well, thank you very much.

Mr. VANDERZEE. All right.

Mr. OBERSTAR. Well, I just want to say that we are delighted to have the support from the State of New York, which does have a split personality on the matter of the seaway. There, the opposition to extension of the navigation season seems to come from downstate interests, and support of it comes from, heavily from upstate interests.

And then you do have some division up in the Thousand Islands section. But we're very grateful to have the interest and support on this legislation of those ports that you mentioned.

Mr. VANDERZEE. Thank you.

Mr. ROBERTS. Is there anyone else present who wishes to make a one-minute statement before we adjourn?

Would you state your name and your affiliation, what connection you have with this legislation.

TESTIMONY OF THOMAS AGNEW, COUNSEL, NORTH CENTRAL COMMODITY TRANSFER ASSOCIATION

Mr. AGNEW. My name is Thomas Agnew, and I am counsel for the North Central Commodity Transfer Association, which is an organization of independent truckers and farmers. And I have a very brief statement which I would like to make at this time. I have submitted no written statement.

Mr. ROBERTS. You've got 1 minute. Not being scheduled, I can't allow you more than that.

Mr. AGNEW. Thank you, Mr. Chairman.

Our organization takes no strong position one way or another with respect to H.R. 3258. We do believe that there is no reason why the people who entered into the deal that brought us the Seaway in the first place should have any objection to following through on the original agreement. And in fact we believe that Congress ought to, rather than engage in competition for Federal funds for their particular districts, concentrate on the fundamental concept of our country and quit playing games about who is getting the most money for their particular district.

Our people control the flow of grain out of this port. And what you ought to be thinking about is not whether there is going to be a higher or lower toll on that grain, but what are you going to do when we shut off the flow of grain out of this port. And we will do that unless you and your colleagues in Congress can get off our back, leave us alone, with your regulations of highway traffic and monopolistic regulations of the trucking and the farming industry. And we ask you to take back this message to Congress, to quit playing games.

In the recent news events you saw that our military forces were destroyed, not by the enemy but by an act of God. That means God is not with our country any more, He's against it. And you guys have got to get the message.

Mr. ROBERTS. I'm not qualified to make that decision. Thank you for appearing.

Mr. AGNEW. Thank you.

The subcommittee will stand adjourned.

[The following were received for the record:]

DULUTH AREA CHAMBER OF COMMERCE,
Duluth, Minn., April 26, 1980.

The Duluth Area Chamber of Commerce represents nearly 1400 business and professional persons in Duluth and surrounding communities. It is the purpose of the Duluth Area Chamber of Commerce to: (1) promote the economic, industrial, civic and social welfare of the citizens of the Duluth area; and (2) to promote the furtherance of the competitive enterprise system as basic to the American way of life.

It is with these aims in mind that we offer testimony today supporting H.R. 3258, the St. Lawrence Seaway Development Corporation Refinancing Act.

The Duluth area depends heavily on port activities for its well-being. During the grain handlers strike of 1979, which lasted nearly 12 weeks, the Duluth Port Authority estimated that the indirect losses to the port area were close to $200 million. Losses in wages and other direct benefits were approximately $520,000 per day. As you can see, the loss of even a portion of the yearly shipping trade has a devastating effect on our community and its citizens.

Restructuring the Seaway Development Corporation's debt could encourage more U.S. and foreign vessel operators to utilize the Great Lakes trade area, resulting in increased activity for our ports. For our city, this could mean more industry moving into the area which would lead to increased job opportunities for the people of Duluth, as well as increased tax revenues for the city of Duluth.

In recent years, the Great Lakes has been losing trade because of the toll assessment necessary to support the Seaway and to repay construction costs. To date, the Development Corporation has repaid $60 million to the federal government, while no other waterway in the nation has been required to repay any of its debts for construction or system improvement. This inequity in debt-forgiveness is not in the best interests of competitive enterprise.

The Great Lakes area must be allowed to compete equitably with all of the nation's waterways for additional trade. We do not ask that the Great Lakes area receive any special treatment, only that they not be penalized indiscriminately.

We fully support passage of H.R. 3258, which would benefit the citizens of Duluth and port cities along the Great Lakes, along with allowing the St. Lawrence Seaway system to compete with the rest of the nation's waterways at a time when movement of commerce is going to be more dependent on energy efficient water travel.

We thank you for your consideration.

[Telegram]

MANKATO, MINN., *April 25, 1980.*

Representative JAMES L. OBERSTAR,
Duluth, Minn.

We strongly support passage of H.R. 3258 which we believe would serve to benefit the long term interest of Minnesota soybean growers.

It is our hope that passage of this bill would prevent future increase of Saint Lawrence Seaway tolls, which in turn will encourage more seaway export of grain and oil seeds from our region.

We request that our comments be placed on record at the Water Resources Subcommittee hearing in Duluth, April 26, 1980.

ROGER ASENDORF, *President,*
Minnesota Soybean Growers Association.

[Telegram]

RED LAKE FALLS, MINN., *April 24, 1980.*

Hon. JAMES L. OBERSTAR,
Federal Building,
Duluth, Minn.

DEAR CONGRESSMAN OBERSTAR: We request the contents of this telegram to be entered into the records at the Water Resources Subcommittee field hearings, regarding H.R. 3258, in Duluth, April 26, 1980.

The Saint Lawrence Seaway was constructed to benefit shippers and consumers in the U.S., yet it is the only waterway in which construction costs had to be repaid by the people who use it.

This burden is excessive and unfair. It discriminates against the seaway in favor of tidewater ports; water transportation is the most efficient and cheapest means that farmers have access to.

The Houston Ship Canal and the Arkansas Waterway are just 2 examples of waterway construction where no tolls are charged for construction costs.

Seaways tolls on bulk grain have climbed from 40 cents per short ton in 1977 to 72 cents per metric ton in 1980–81. Part of these rate charges go to

retire the construction debt on the Saint Lawrence Seaway. This burden puts us in a less competitive position in the world markets.

Passage of H.R. 3258 to eliminate construction costs will put our government in a better position to hold the line on any petitions for future toll increases, which are ultimately passed on to the consumer and user.

Passage of H.R. 3258 will mean for Minnesota agriculture, a positive impact on our ability to produce needed food and revenue for prosperity in the United States.

The Minnesota Wheat Growers Association, speaking in behalf of more than 30,000 wheat producers, strongly encourages passage of H.R. 3258 at this time, in light of the economic events of the last 12 months.

The seaway is vastly important to us, and a competitive system is mandatory.

Respectfully submitted,

JORGEN KNUTSON,
President,
Minnesota Association of Wheat Growers.

[Mailgram]

ST. PAUL, MINN., *April 25, 1980.*

Congressman JAMES L. OBERSTAR,
Federal Building,
Duluth, Minn.

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before you today to share with you our thoughts relative to the importance of having an economically competitive shipping system available to us in Duluth/Superior.

Minnesota is blessed with some of the most productive farmland in the world and as a result we are able to produce tremendous amounts of food and feed products for consumption in other parts of the country and in fact the world.

Despite the interruption of service last year, over 174 million bushels of wheat were shipped from the port and over 50 million bushels of corn were moved, in total over 6.5 million tons of agricultural products were moved out of this site. It becomes clear to all of us that this level of movement makes this port a vital facility for Minnesota and in fact upper mid-west farmers. It is also note worthy that the vast majority of this product is being shipped to overseas markets, thus giving this area its only direct link to those buyers.

However implicit in this is the ability to transport these products to the markets efficiently, and increasingly transportation is becoming a major issue in the profitable operation of our farming industry. Our ability to compete in international marketing is certainly impacted by our ability to economically move product from our port, in our case Duluth–Superior. While international demand for U.S. agricultural products provides a significant outlet for our productivity, thus positively impacting our trade position, we must be continually revisiting our practices so that they are both efficient and competitive.

The significance of the seaway is obvious to us all in terms of its natural penetration of this whole area of the United States and value it provides in the energy efficient movement of cargo both out of and into this region. Just as this is obvious to us now, it was obvious to our government years ago when it began supporting many projects to enhance internal transportation systems. As you know early in our history many transportation systems were privately held business ventures, however, we soon began to realize that this method of operation did not adequately meet the demand that existed for this public service.

In this particular case today we are facing a situation in which the operations of the seaway is going to be impacted to a significant degree by the increasing repayment of obligations extended to finance the construction of the facility. I believe that this situation is somewhat unique among the transportation systems located in other areas of the country.

Information which I have received indicates that the operation could be exposed to a need to increase rates on the seaway by as much as 40 percent in the near future. This kind of increase in operating costs is going to have a very detrimental impact on the competitiveness of the seaway. It seems more than reasonable that the government should treat the financing of this facility in a manner similar to the Canadians who have revised their financial position in a manner similar to the proposal before you today. Establishing the federal obligations in the seaway as an investment versus a loan allows the facility to be managed in such a way as to provide the transportation component needed to insure our access to domestic and international markets for our farm products.

It is obvious that even with this change the rate making mechanism must be able to respond to the needs of its users with rates that allow the facility to be employed competatively. The changes being suggested here seems to us to provide at least part of the answer to the pressures for increased rates for seaway usage. In the future we are all going to have to continue to monitor the rate structure to insure that the rates both provide a reasonable return on invested funds but that this return is not achieved to the detriment of the farmer users. The prime purpose for the facility is transportation not income to the investment.

Thank you.

NORTH DAKOTA SUNFLOWER COUNCIL,
Bismarck, N. Dak., April 25, 1980.

Re H.R. 3258, The Restructuring of the St. Lawrence Seaway Development Corporation.

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
U.S. House of Representatives, Rayburn House Office Building,
Washington, D.C.

DEAR SIRS: I want to take this opportunity to place the North Dakota Sunflower Council on record as supporting H.R. 3258.

With the development of the St. Lawrence Seaway, North Dakota agriculture has been able to develop new markets overseas for new and existing crops. One example of a new crop is sunflower. In the last several years, exports to Europe, all via the Seaway, have grown from $61 million in 1974 to $300 million in 1979.

Without access to salt water via the Port of Duluth-Superior, this export crop would not have developed to such a large extent. However, as more ships come into the Lakes empty because of quotas on steel and other industrial items, our competitive position with other oilseed producing countries is reduced. Also, if the toll charges continue to increase, our ability to compete again is diminished. We are willing to accept our fair share of the financial burden for lock maintenance and administration of the Seaway. However, initial construction costs should be repaid in the same manner as other public waterways and coastal port developments.

We appreciate this opportunity to submit written testimony.

Sincerely,

LARRY KLEINGARTNER,
Administrator.

SAVE THE RIVER!,
Clayton, N.Y., April 28, 1980.

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Rayburn House Office Building,
Washington, D.C.

GENTLEMEN: Save the River, Inc. regrets that it was unable to attend the April 26 field hearing on Mr. Oberstar's bill (HR 3258) and hopes that this letter will be included as part of the Committee's Duluth hearing testimony, putting Save The River on record as strongly opposed to any legislation that would totally relieve the St. Lawrence Seaway Development Corporation of its responsibility to repay its debt to the federal government, in trust for the American people.

If the Seaway is unable to meet its payment schedule set up in 1954 on the loan to cover the costs of the construction of the Seaway, refinancing may be necessary and understandable considering the Seaway's unsuccessful financial record, but the Seaway should not be allowed to renege on a loan that was given and, hopefully, accepted in good faith.

Budget cuts are occuring in every area of government making this no time for Congress to cut off a significant source of funds.

To repay a loan, whether provided by a bank or the government, is not an unreasonable request. No more and no less is expected of any business enterprise.

When the loans were passed, payment in full, including the accrued interest, was expected of both the U.S. Seaway Development Corporation and the Canadian Seaway Authority. However, in 1977 the Canadians wrote off $842 million in Seaway debts (both the principle and interest) and in 1970, the U.S. wrote off $22.4 million in unpaid interest charges and freed the Development Corporation from further interest payments.

As if these were not large enough subsidies or great enough shots in the arm,

Mr. Oberstar now suggests the termination of any and all financial obligations still remaining, a sum that exceeds $100 million.

It is interesting to note that in 1970, the year Congress, through the Merchant Marine Act, eliminated the need for the Corporation to pay past and future interest on U.S. construction debt, Congress also passed the Rivers and Harbors Act creating the Great Lakes-St. Lawrence River Navigation Season Extension Program, pumping over $6 million into the Corporation's financial prospectus. A two-fold endorsement of the Seaway in 1970.

Today, the 96th Congress, through Oberstar's bill, is considering negating over a $100 million debt owed by the Seaway and is also considering subsidizing the Seaway with an additional $400 million plus investment under the guise of the Season Extension Program. Another endorsement of the Seaway? Can Congress rationalize such a move with the American public when the business record of the Seaway is, to say the least, poor and when the service it provides is used by only a small, special-interest group, attributing no significant benefit to the nation. When will Congress stop throwing good money after bad on a business that cannot manage its expenses and that has been a proven drain on the nation's economy since its conception?

We thank you for allowing us to comment and would greatly appreciate receiving a copy of the hearing's full testimony.

Sincerely,

KAREN NADDER-LAGO,
STR Staff Coordinator.

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